ENEX REPORT 2018

Itochu Enex Group
Integrated Report

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

We started off in 1961 with only six gas stations.

Over the course of more than half a century, we have worked to contribute to
an affluent society and quality of life and bring many smiles, growing with our customers.

Now we are transforming ourselves from a traditional energy trading company
~ to an energy trading company ~ supporting the life in local communities.

And we will continue to
respond to stakeholders' expectations, live with local communities,
and contribute in making a sustainable society that brings forth a new era through co-creation.

We strive to pass on very valuable things for people and
local communities so that future generations may enjoy a more prosperous future.

The Best Partner for Life and Society

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

Itochu Enex Group

A service station affiliated with Itochu Fuel Corporation was opened.
Minami-morimachi service station, Kita-ku, Osaka

Itochu Enex Group’s journey in value creation over half a century

Enex Group, which has been developing business mainly in the field of energy beyond the time of more than half a century. We continue to move towards the future as a "The best partner for life and society" listed in our Corporate philosophy.

Changes in performance and main events

■ Net profit attributable to Itochu Enex's shareholders (billions of yen)
*Unit performance until FY 1998, and figures for consolidated results since FY1999.
*The figures of this page are based on IFRS(International Financial Reporting Standards) from FY 2013.

Prologue to change

2004~2008

中期ビジョン「創生2008」

Promotion of organizational structure reform for the new era

Change revolution

2008~2010

「Core&Synergy2010」

Develop global businesses horizontally and vertically, strengthen core businesses and create synergies

2011~2013

「Core&Synergy2013 ～変革の実行を通じて新たなステージへ PhaseⅡ～」

Improvement of petroleum product distribution functions, transformation into a "company providing the best mix of energy"

Accelerate Change and Growth

2014

Moving2014「動く!」

Transform the petroleum and gas business model, Upgrade "Enex DNA"

2015~2016

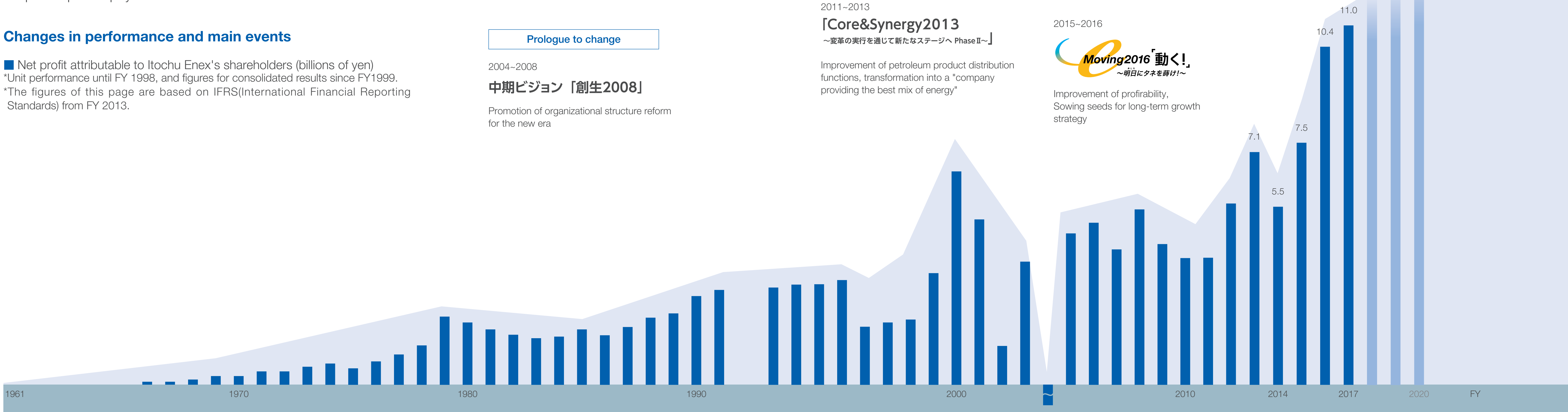
Moving2016「動く!」～明日にタネを蒔け!～

Improvement of profirability, Sowing seeds for long-term growth strategy

2017~2018

Moving2018 つなぐ 未来

Reforming the revenue base, Reforming the organizational base



ENEX EPOC 1961 ～ 2009 Era of Oil and Gas

2010~ Era of Oil ,Gas and Power 2018~ Era of Oil ,Gas,Power and Mobility

Company Timeline

Jan. 1961 The Company is founded

May 1965 The Company acquires stock in Oita Kyuseki Hanbai Co., Ltd. (today a consolidated subsidiary).

Mar. 1970 The Company acquires stock in Unoshima Sansuiso K.K. and advances into the high-pressure gas business.

Apr. 1971 Capital is increased from ¥600 million 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 section 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 the Tokyo Stock Exchange.

Jun. 1983 The Company moves its head office from Osaka to Tokyo.

Mar. 1995 The Company establishes Kyushu Chunen Co., Ltd. (currentconsolidated subsidiary Enex Petroleum Sales Nishi-Nihon Co., Ltd.).

Feb 1996 Head office moves to 24-12 Meguro 1-chome, Meguro-ku, Tokyo.

Oct 1997 The Company acquires stock in Tokai Corporation, which is in the process of being reorganized.

Dec. 1997 The Company acquires stock in Seibu Petroleum Corporation.

Apr. 1998 The Company's CicoMart arm is spun off to form CicoMart Co., Ltd.

Oct. 2000 Tokai Corporation's bankruptcy reorganization proceedings are declared complete by the overseeing court.

Mar. 2001 The Company takes over gas supply service in Nakatsu City, Oita Prefecture, with the goal of breaking into the city gas market.

Jul. 2001 The Company changes its name from Itochu Fuel Corporation to Itochu Enex Co., Ltd. Its 18 consolidated subsidiaries are renamed at the same time.

Nov. 2001 The Company sells off its stock in CicoMart Co., Ltd.

Apr. 2004 The Company scraps its existing branch-offce system in favor of a system of organization around business divisions.

May 2005 Takigawa Enex Co., Ltd. (currently Itochu Enex Home-Life Nishi-Nihon Co., Ltd.) commences operation upon taking over business operations from Takigawa Industries Co., Ltd.

Sep. 2005 The Company sells off its stock in Tokai Corporation.

Oct. 2005 Kokura Enterprise Energy Co., Ltd. takes over the business of Kokura Enterprise Co., Ltd. and commences operations.

Oct. 2005 The Itochu Enex Group adopts a single unified logo, the Enex Mark.

Apr. 2007 Ecore Co., Ltd., is founded by the consolidation of Itochu Enex Home-Life Kyushu and Idex Gas K.K. and commences operation

Sep. 2008 Itochu Enex Co., Ltd. acquires Kohnan Corporation's oil sales business and stock in Kohnan Fleet Corporation, and begins operating the acquired business.

Sep. 2008 Head office is relocated to 4-1 Shibaura 3-chome, Minato-ku, Tokyo.

Oct. 2008 The petroleum product trading business run by Itochu Corporation and the petroleum product logistics business run by Itochu Petroleum Japan Ltd. are split off and acquired by Itochu Enex Co., Ltd.

Apr. 2009 The Company transfers the LPG lorry wholesales business to JAPAN GAS ENERGY CORPORATION.
The Company acquires the shares of JAPAN GAS ENERGY CORPORATION.

Jul. 2010 The Company submitted a notice of commencement of a power producer and supplier (PPS) business

Oct. 2010 The Company launched an electric power retailing business.

Jan. 2011 The Company celebrates the 50th anniversary of its founding.

Mar. 2011 **The Company acquires the shares of JEN Holdings Co., Ltd. to break into the electricity and steam supply business for factories.**

Apr. 2011 Kohnan Fleet Co., Ltd. changes its name to Enex Fleet Co., Ltd.

Jan. 2012 The Company takes an equity stake in IP&E Palau Inc. and the Republic of Palau.

May. 2012 **The Company acquires the shares of Tokyo Toshi Service Company (currently consolidated subsidiary) to break into the heat supply business.**

Oct. 2012 JEN Holdings, Co., Ltd (currently consolidated subsidiary) acquires all shares of CEF Konbumori Wind Farm Co., Ltd., thereby expanding its wind power generation business.

Apr. 2013 **Power & Utility Division is set up**

May.2013 The Company and Itochu Corporation jointly invest in a next-generation biodiesel production business in the United States.

Dec. 2013 JEN Holdings, Co., Ltd. (currently consolidated subsidiary) acquires all shares of Tainai Wind Farm Co., Ltd., and further expands its wind power generation business.

Jan. 2014 The head office is moved to 2-10-1 Toranomon, Minato-ku, Tokyo.

May.2014 **The Company acquires stock in Osaka Car Life Group Co., Ltd. (today a consolidated subsidiary).**

Feb. 2015 The company and Oji Green Resources Co., Ltd., a subsidiary of Oji Holdings Corporation, formed a joint venture for power retailing, OJI-ITOCHU ENEX POWER RETAILING CO., LTD. (“OJEX”)

Mar. 2015 The Company acquires the shares of NISSHO PETROLEUM GAS CORPORATION.

Oct. 2015 **The company and ITOCHU INDUSTRIAL GAS CO.,LTD. established PT.ITC ENEX INDONESIA to tackle the industrial gas business in INDONESIA.**

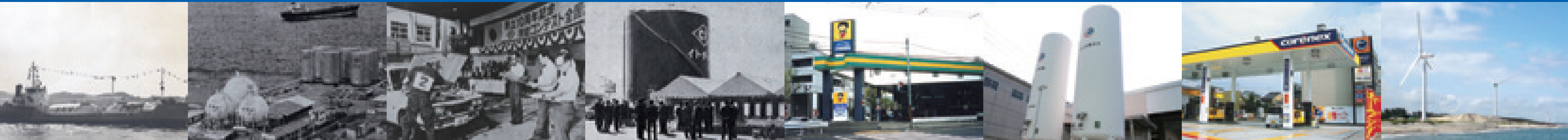
Apr. 2016 Start to electricity Supply Service for Households, “e-koto denki!”

Apr. 2016 Invests and participates in LP gas sales business in the Philippines

Apr. 2017 **Profit attributable to owners of parent surpasses 10 billion yen**

Oct. 2017 Sendai Power Station Co., Ltd. commences commercial operation of its thermal power station

Oct. 2017 Establishes ENEARC Co., Ltd.



A Rich Customer Base

No.1 Energy Trading Company

The number of CSs

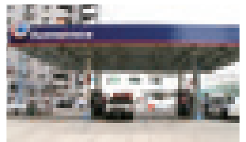
1,800 CSs

Service station that our group has nationwide as CS (Carlife Staion)
(including our brand, "Car Enex Brand CSs" approx. 400)

400 CSs — CSs of convenient CARLIFE STADIUM Rent-a-Car Service (As of April 1, 2018)

The number of LP gas outlets

2,700 outlets



LP gas outlets that our group has nationwide

38 stations — Automotive gas stations that supply LP gas to LP gas vehicles (including buses and taxies)

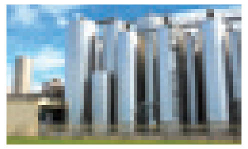
The number of households

1.5 million households

Households we supply LP gas and town gas that our group has nationwide

The number of facilities

3,500 facilities



Facilities of corporate customers providing energy and materials (Gasoline, Diesel, kerosene, residual oil, LNG, and electric power)

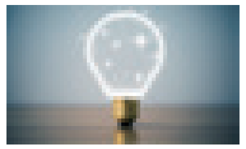
The number of contracts (electric power for households)

54,000 contracts

Contracts for electric power for households

The electric power sales volume ranking

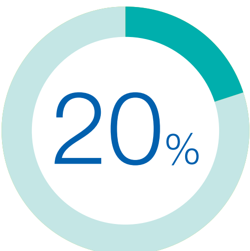
8 th



Newcomers ranking in terms of electric power sales volume (FY2017)

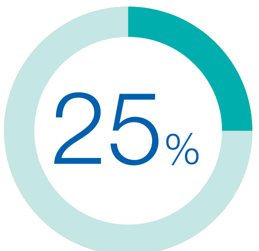
The market share of asphalt sales

Domestic market share of asphalt sales (top class in Japan)



The market share of AdBlue sales

Our market share in the domestic AdBlue high-grade urea solution, breaks down and detoxifies diesel vehicle exhaust, is top.



as of April 1, 2018

Ability to strengthen the customer base

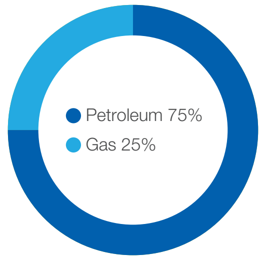
The power of the Itochu Enex Group's "optimization" that flexibly responds to changes

Optimization for consumer needs

To increase responsiveness to the changing societal and lifestyle needs, and offering a wide range of value required by customers.

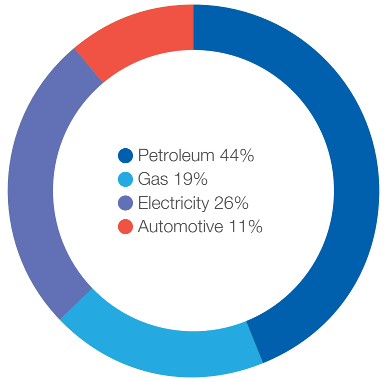
Change in business activities as shown by profit composition ratio of operations

Before
¥9.0 billion



Fiscal year ended March 2012
Fuel trading company handling petroleum and gas

Now
¥17.2 billion



Fiscal year ended March 31, 2018
Transitioning to a composite business mix to handle a broad range of products such as petroleum, gas, electricity and automobiles.

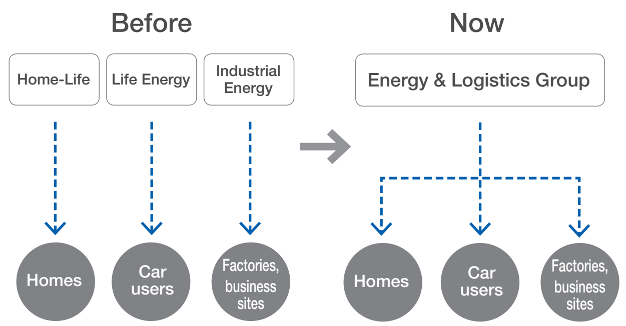
Optimization of organization and human resources

Building of an organization that is responsive to changing needs, and development and utilization of human resources who can generate creative and flexible thinking.

Integrated the business base of petroleum products and LP gas on April 1, 2018

Strategic approach to the customer base held in local communities

The Home-Life Division and the Life & Industrial Energy Division were consolidated under the "Energy & Logistics Group." Taking our lead from consumers, we will build a consumer-oriented structure, and offer a variety of energy products and services.



Business optimization

Seeking to make efficient use of managerial resources, we have established and put into operation a supply chain optimized for demand.

Since 2017, we have promoted efficiency of the sales network for LP gas.

Estabishd ENEARC

In response to changes in demand for LP gas, we seek efficiency of the local sales network for LP gas in collaboration with other companies.

ENEARC

Aggressive investment plan to facilitate the optimization

As the Group medium-term business plan "Moving 2018 Connecting to the future" has been going well, we also achieved the targets in FY2017. We will continue to make aggressive investments to strengthen the revenue base.

Group medium-term business plan →p. 14

FY2018 Planned investment **¥32.2 billion**

According to the investment plan in the Group medium-term business plan "Moving 2018 Connecting to the future."

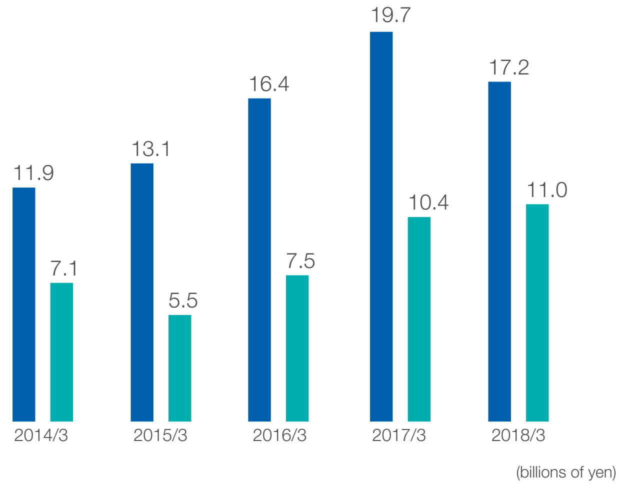
as of March, 2018

Profit from operating activities

17.2 billions of yen (year on year) ↓12.7%

Net profit attributable to Itochu Enex's shareholders

11.0 billions of yen (year on year) ↑5.8%

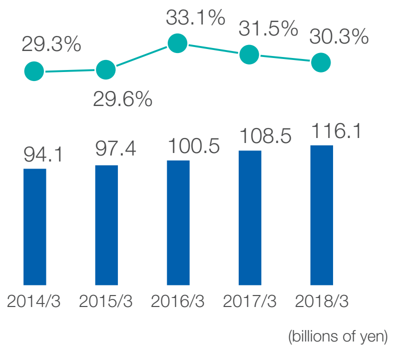


Shareholders' equity

116.1 billions of yen

Equity-to-asset ratio

30.3%

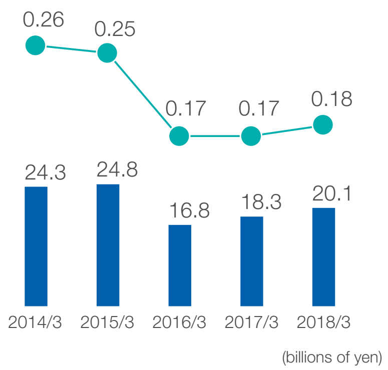


Net interest-bearing debt

20.1 billions of yen

Net DER

0.18 times

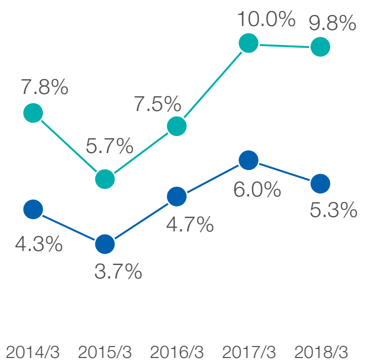


ROA

5.3%

ROE

9.8%

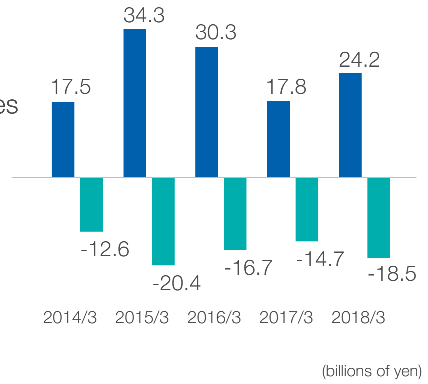


Cash flows from operating activities

24.2 billions of yen

Cash flows from investing activities (year on year)

-18.5 billions of yen



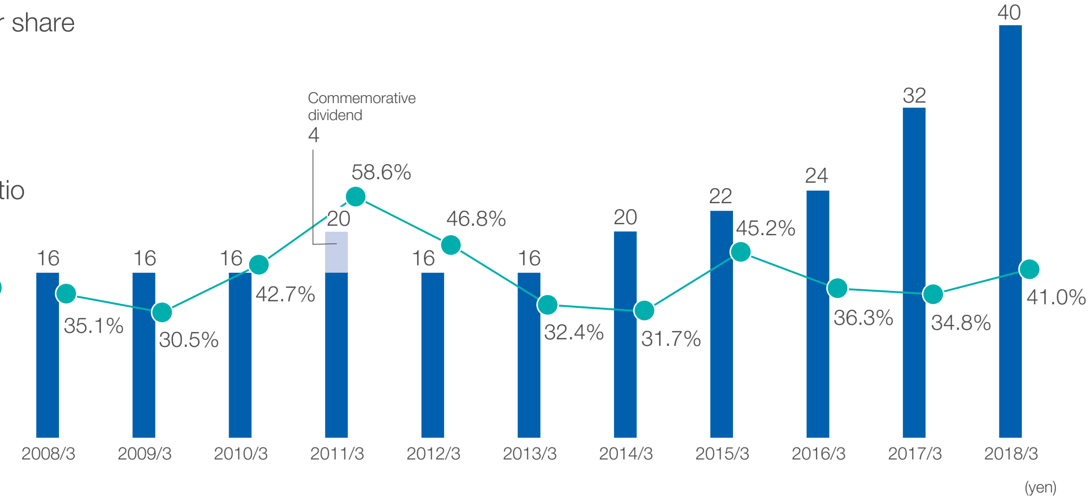
as of March, 2018

Annual dividends per share

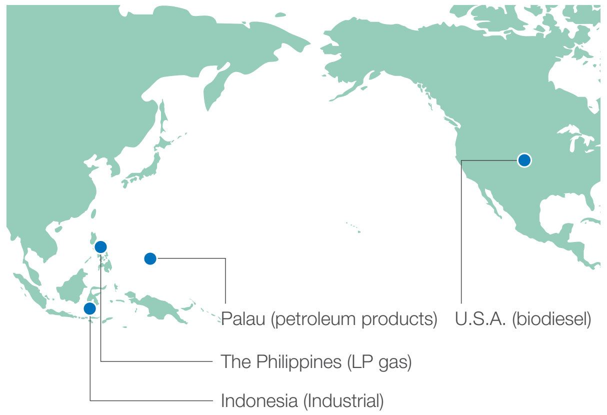
40.0 yen

a dividend payout ratio

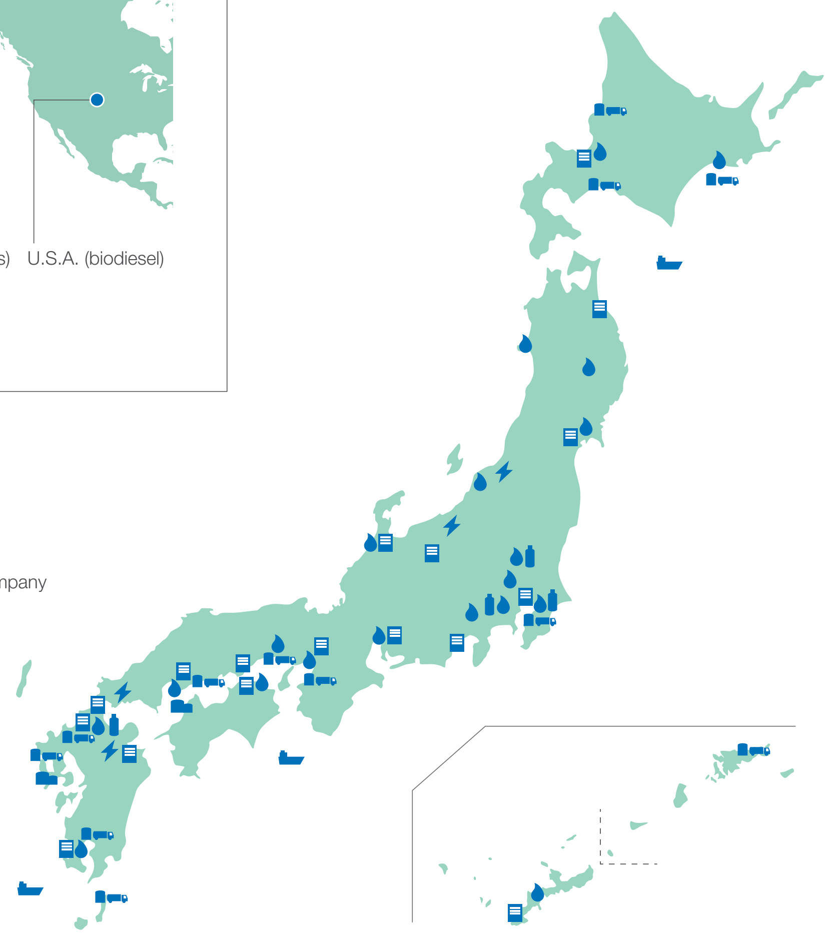
41.0%



Network of overseas



Network of nationwide



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

This is , ENEX
Our Vision
Strategy
Segment
Management
Data Section
Company Information

Itochu Enex Group Integrated Report ENEX REPORT 2018 Contents

Editorial policy

ENEX REPORT 2018 is a comprehensive report covering financial information and non-financial information, including CSR activities, prepared based on various guidelines. It is published with the goal of helping people understand the business activities and strategies that are implemented in pursuit of the Itochu Enex Group's sustained growth.

Period covered
April 1, 2017 – March 31, 2018 (Includes some activities that fall outside this period.)

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

Publication date
August 2018

◎Please submit comments or feedback to:
Corporate Communications Office, Itochu Enex Co., Ltd.
E-mail: 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.

Our Vision | The value creation pursued by the Itochu Enex Group

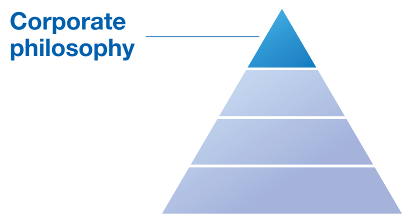
Corporate vision

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

Corporate philosophy

The Best Partner for Life and Society
– with Energy, with the Car, with the Home –

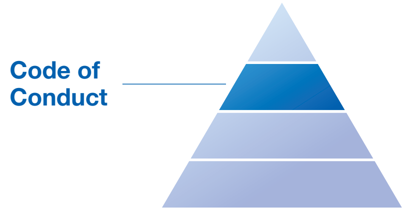
For more than half a century, the Itochu Enex Group has delivered energy to customers across Japan, chiefly in the form of petroleum products and LP gas. Regardless of the changes to life and society, we continue to deliver the value needed by our customers as their stalwart partner. Moreover, we will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



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 Group's Code of Conduct announced in 2001. The Itochu Enex Group of today intends to perform its day-to-day duties 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 and activities.

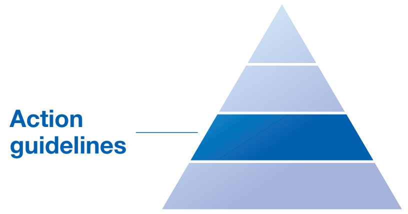


Guiding Precepts (established in 1962)
1. Strive to incorporate the principles of reliability and sincerity in your daily duties.
2. Streamline business through creativity and ingenuity, and always keep moving forward.
3. With transparency and integrity as your creed, be cordial and work to improve the well-being and prosperity of everyone affiliated with the Company.

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.

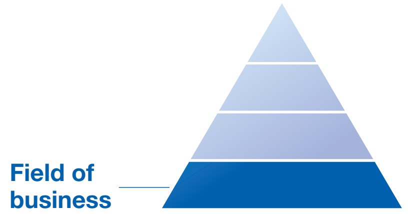
The declaration of the Group Code of Conduct in its entirety is on page 50



Field of business

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

To successfully be "the best partner for life and society," as outlined in our corporate philosophy, it will be necessary to further spread the prosperity and convenience that energy provides throughout society and people's lives. The Group wants to not only provide energy that is a key component of social infrastructure, but also hopes to be a source of spiritual energy for our customers. The Group intends to continue providing a variety of products and services that support the affluence, comfort, and convenience that are suitable in this day and age.



The Itochu Enex Group's value creation process

Input

Human Capital	Employees **5,613** (as of March 31, 2018)
Social Capital	Sales area **Throughout Japan and in four other nations**
Financial Capital	Rating **A+** (As of August 28, 2018; Japan Credit Rating Agency, Ltd.)
Production Capital	**Mainly power generation facilities, heat supply facilities, and industrial gas production facilities**
Intellectual Capital	**Technology and know-how**
Natural Capital	**Wind power, hydropower, photovoltaic power, and bio-resources**

Corporate Governance

Management foundations

More than half a century of achievements

- Abundant know-how
- A sound financial base

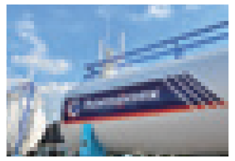
Organization and human resources Strategy

Finances and capital Strategy

Business network

Output

Products and services



LP gas and more
LP gas, city gas, industrial gas, residential fuel cells, electricity storage systems, and photovoltaic power generation

Petroleum products and more
Gasoline, kerosene, diesel, fuel oil, asphalt, AdBlue, fly ash recycling, slop and recycled oil

Power generation and more
Electricity, steam, and heat supply

Mobility and more
Automobiles and services related to people's lives

Outcome

Social Value

- Rich and diverse lifestyles
- Invigorating local communities and lifestyles
- Sustainable lifestyles that take the environment into account

No. 1 Energy Trading Company

A rich customer base

- End users living in regional communities
- Distributors rooted in regional communities

Economic Value

- Shareholder return
- Invigorating industry
- Contributing to next-generation economy and society

Message from CEO

Taking as our starting point the essential need to supply humans with energy, by drawing closer to the customer through the development of a diverse range of services and businesses, we aim to become an energy trading company that supports local communities

Environmental awareness

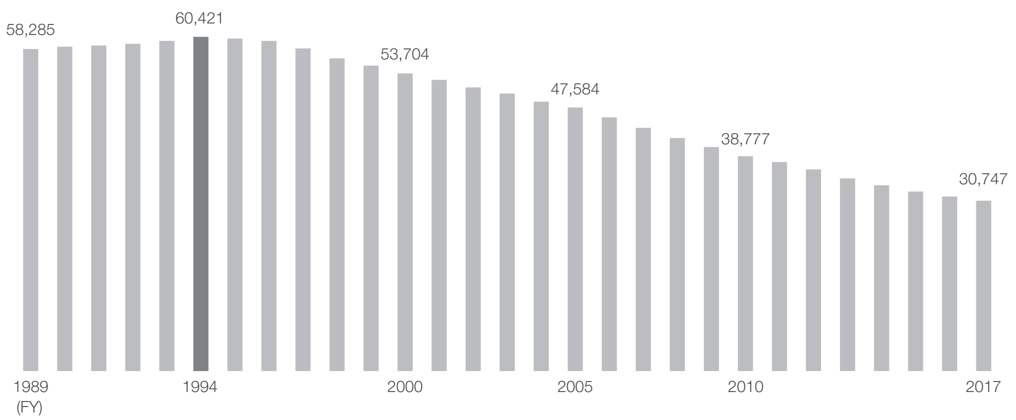
An energy industry undergoing drastic transformation, and a changing competitive environment

The environment in which the Company operates is changing and becoming more challenging. Due to the rapid shift in Japan towards lower birth rates and an older population, the country is on the brink of an era of population contraction, and demand for energy, including petroleum products, is on a downward trend. This movement has received a further impetus from the rising awareness of environmental issues that has occurred as a consequence of the problem of global warming. Environmental awareness is one of the key concepts of our age, and, together with economic benefits and abundance, drives both society and our daily lives.

The supply side continues to change rapidly in response to these changes in demand. For example, the number of service stations nationwide has halved from its 1994 peak of 60,000 to around 30,000 currently, and this decline seems likely to continue. The rebuilding of the supply network to deal with this contraction in demand is under way, resulting in radical changes that touch on the very fundamentals of the industry, such as the closure or downsizing of refineries, and the consolidation of major oil companies. It is in this context, and faced with the deregulation of retail sales of electricity and city gas, that we are working to diversify our businesses in order to accelerate our transformation into an integrated energy company. As organizations work to achieve the targets set by the Paris Accord of cutting 2030 greenhouse gas emissions by 26% from the 2013 level, we expect the promotion of energy-saving measures and the shift towards electronic appliances in Japan to gather speed, leaving energy industry participants in a fight for survival in which only the fittest and most adaptable will survive.

We cannot survive in our present form
We must change

Number of service stations nationwide (at fiscal year end)



Source: "Numbers of gasoline distributors and service stations (registered base)" Ministry of Economy, Trade and Industry, July 19, 2018

The goals and locus of the “Moving” strategy

Racing ahead of industry changes to reform corporate culture and organizational structure.

Among these changes in the environment, the Company has resolved to leave the business of selling oil and gas where it has resided for so long, reasoning that staying in one place will not guarantee its continued existence, and to “move” in search of a more fertile place to call home. The “Moving” series of medium-term business plans that has been in progress since fiscal 2014 consists of nothing less than initiatives that cover the whole of management, businesses, organization and human resources, to which the Company is committing its full strength with the intention of creating a corporate group that can survive in this new era.

In fiscal 2014, when the “Moving” series started with “**Moving 2014**,” we reviewed those aspects forming the Company’s base, namely corporate culture, organizational structure and systems, and we also designed systems aimed at sowing the seeds for future growth by amending investment criteria. This was followed in fiscal 2015 and fiscal 2016 by the two-year “**Moving 2016 – Sowing seeds for tomorrow**” business plan. Based on this, we implemented a tripartite policy of strengthening profitability, sowing the seeds of a long-term growth strategy, and reinforcing the organization’s capabilities and core strengths. At the same time we promoted reform of both the organization and awareness through such initiatives as bolstering the core strengths of individual businesses, preparing for the liberalization of the electricity market and establishing overseas businesses. As a result, by the end of fiscal 2016, the final year of the business plan, the Group’s profit for the year broke through the ¥10 billion level for the first time.

Global Businesses →p. 24

Resolving to “move” to more fertile land on which to build a new home

Moving2014「動く!」

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

Moving2016「動く!」 ～明日にタネを蒔け!～

Sowing seeds for tomorrow

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 above

Moving2018 つなぐ 未来

Connecting to the future

■ Quantitative targets (FY2018 Consolidated basis)

Profit from operating activities	Net profit attributable to Itochu Enex’s shareholders
¥18.7 billion	¥11.3 billion
ROE	**Planned investment (2-year total)**
9.0% or above	¥56.6 billion

A period used to maintain the direction of the reforms and enhancements previously targeted, in order to increase the certainty of securing future growth.

Based on the two pillars of reforming the revenue base and the organizational base, we will develop our ability to drive forward into the future while maintaining our ability to generate profits.

■ Period

FY2017 to FY2018

■ Basic policies

“Connecting to future growth” — Reforming the revenue base —

❶Optimizing resources
Accelerating asset replacement in pursuit of profitability and growth

❷Improving profitability
Improving profit efficiency based on the ratio of SG&A expenses to gross trading profit

❸Developing the customer base
Deploying the electric power business across all divisions and departments, and driving the future retail-oriented expansion of the customer base

“Connecting people and functions of the Group” — Reforming the organizational base —

❶Reinforcing organizational strength
Reinforcing organizational strength by making provision of the group management base

❷Nurturing autonomous human resources
Clarifying the mission, and nurturing autonomous personnel

❸ENEX EARLY BIRD
Encouraging a working style that offers high performance in a short time

On the other hand, it is a fact that these changes and this rapid growth have led to imbalances within the Company. Accordingly, during the “**Moving 2018 Connecting to the future**” medium-term business plan that ran in FY2017 and FY 2018, we focused on normalizing the situation by strengthening the foundations of the business, and making sure of our footing before taking the next step towards future growth. The issue of “reforming the revenue base” raised in the basic policies involves optimizing assets and opening up new customer bases, while “reforming the organizational base” consists of promoting the nurturing of human resources and working style reforms, and strengthening Group management. We have determined that this is a necessary process of creating the foundations necessary for the long-term growth of the Group.

A look back at FY2017

Net profit attributable to Itochu Enex’s shareholders marked a new record for the third consecutive year

The first fiscal year of the “Moving 2018 Connecting to the future” medium-term business plan achieved its targets in accordance with the basic policies.

First, in regard to “reforming the revenue base,” in order to realize the optimal composition of assets, we will dispose of unprofitable operating assets and integrate the operations of subsidiaries that straddle different businesses.

In the Home-Life Division, we have reorganized and integrated with OSAKA GAS CO., LTD. and the LP gas wholesale and retail businesses. **ENEARC Co., Ltd.,** a joint-venture company in which both companies have a 50% stake, was established on October 1, 2017, and integrated the LP gas wholesale and retail businesses in the Kanto, Chubu and Kansai regions. In addition, shares of the three sales companies owned by OSAKA GAS subsidiary NISSHO PETROLEUM GAS CORPORATION were transferred to the Group. This reorganization has resulted in the expansion of the business foundation, reinforced cost competitiveness and enabled the provision of competitive products and services. In the Power & Utility Division, Tokyo Toshi Service Company (TTS), in partnership with The Okinawa Electric Power Company, Incorporated, established The Reliance Energy Okinawa, Incorporated in December 2017 with the aim of strengthening TTS’s comprehensive energy services business. In Okinawa Prefecture, where major urban development continues, in response to diverse demands for energy we will offer services that contribute to the efficient use of energy and help reduce the burden on the environment. Furthermore, in March 2018 we took an equity stake in OSAKA GAS, which has extensive know-how related to the use of city gas, and will use this to realize and provide new value going forward. In the Life Energy & Logistics Division, by closing unprofitable Car-Life Station (CS) outlets, selling, general and administrative expenses fell by 5% year on year, a reduction of ¥3.7 billion.

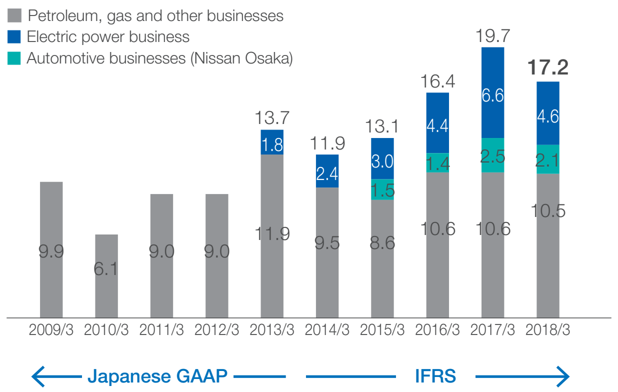
For more information on ENEARC, please see p. 23

As a result, return on equity, which measures the effectiveness with which the funds entrusted by shareholders to the Company are being utilized, reached 9.8% at the end of fiscal 2017.

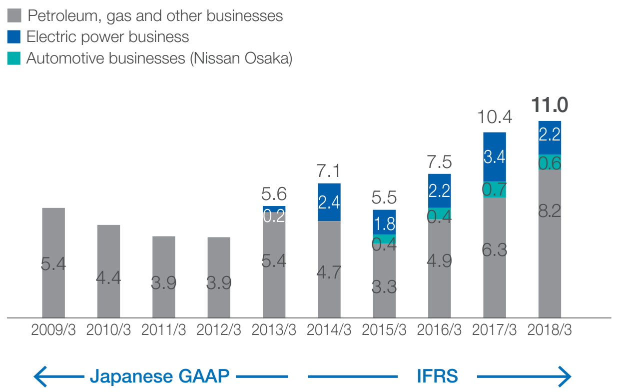
In relation to “reforming the organizational base,” we have amended the criteria for investments with the goal of encouraging a greater awareness of capital cost. We have worked to foster a corporate culture that continually seeks to balance capital cost against the profit earned on funds invested. Also, we have resolved to move the head office in order to improve communications for the Group as a whole, facilitate the development of new businesses that straddle existing divisions, and to allow us to leverage next-generation digital technology. Until now, each floor was home to a separate business division. Integrating multiple departments on each floor will facilitate the blending of the know-how and the businesses of the respective divisions, with the synergies resulting from this new layout opening the way to further improvements in productivity. We have also introduced a casual dress day, and are striving to encourage freedom of expression and diverse working styles.

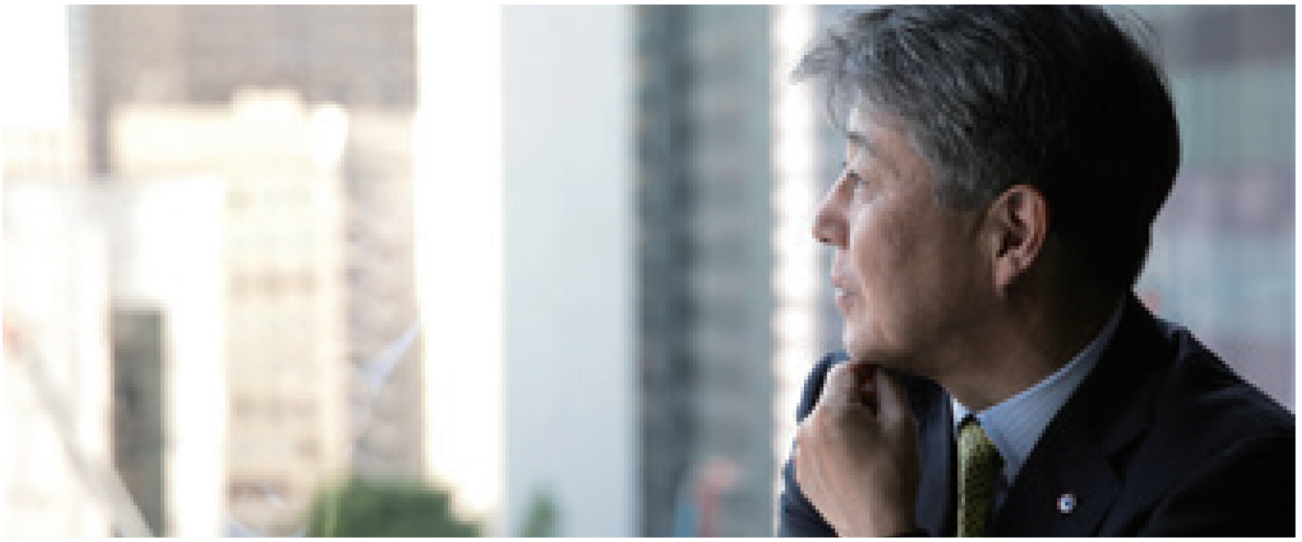
Business performance trends

Profit from operating activities (billions of yen)



Profit (billions of yen)





Plan objectives updated for fiscal 2018

A time for securing our footing in preparation for connecting to the future

This medium-term business plan prioritizes the strengthening of the foundations of the business, and linking this to the subsequent growth path. As well as moving forward with the building of a structure that will allow flexible responses to a rapidly changing operational environment, and promoting business reorganization and structural reform from a medium- to long-term perspective, we will put the emphasis on investing in management resources for future growth and returns to shareholders, grounded in appropriate financial policies. In addition, to reflect the steady progress made in implementing the growth strategy, and the resulting strong business performance in fiscal 2017, we have updated our quantitative targets. The forecast for fiscal 2018 profit from operating activities has been raised to ¥18.7 billion (an increase of ¥0.2 billion versus the initial forecast), and the outlook for net profit has been raised to ¥11.3 billion (an increase of ¥0.5 billion over the initial forecast).

Building a pliant and flexible structure

Upward revision to quantitative targets for the fiscal year ending March 2019

	Previously announced targets	Revised targets	
Profit from operating activities	¥18.5 billion →	¥18.7 billion	+0.2 billion
Profit	10.8 billion →	11.3 billion	+0.5 billion
Dividend payout ratio	30 % →	40 %	+10 %

In recognition of strong business performance in fiscal 2017, and as a result of a comprehensive reconsideration of the market environment and the Company's own situation, we have revised upward the profit targets.

In addition, having taken into account business performance in the medium- to long-term, as well as capital efficiency, we have revised our profit distribution policy (the dividend payout ratio).

All eyes on the long-term vision

Aiming for further progress based on the "pipe" business we have built up

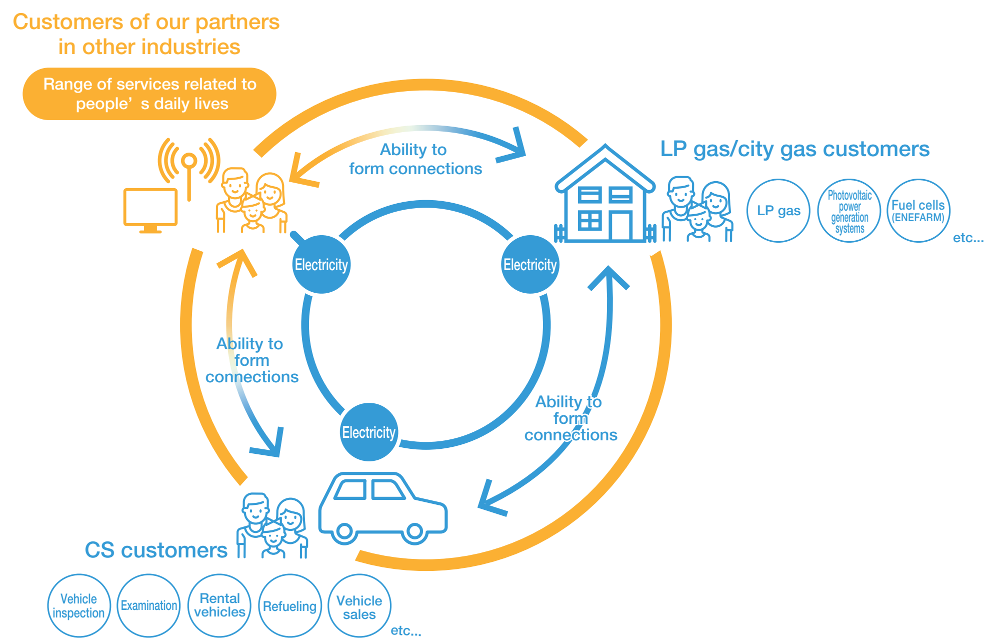
Up to this point, the Group has not interpreted changes in the environment as threats, instead developing its businesses with an awareness that change is a given. For precisely that reason, the Company perceives the various changes currently attracting attention as ideal business opportunities that will allow it to demonstrate its strengths.

The single most important reason for this awareness is that the Company already possesses a robust business foundation that is resistant to the turmoil caused by changes in the external environment. This is due only to the networks we have built up with customers ever since the time of the Company's founding. In order to clearly indicate the importance, significance and functionality of these networks, the Company refers to them internally using the term "pipes." The original meaning of "pipe" is something that connects two separate, independent objects and that enables flows and relationships between them. In the context of the Company's actual business, the term "pipe" indicates the channel or route by which LP gas, in the Home-Life business, or refined petroleum products, in the Car-Life Station (CS) business are provided to the end user, either via the retail outlets of the respective business or directly from the Company.

The Company has laid down such invisible "pipes" in the regions, and has taken great care to manage, maintain, improve and expand them. To express this initiative in terms that may be easier to understand, it includes the various measures aimed at optimizing the logistics function and capturing customers. During the course of its development, the Company established a solid position as a "fuel trading company" that supplies petroleum products and LP gas, and, having subsequently moved into the electric power business, has further evolved to become an "energy trading company." Of course, our entry into the retail electric power business has also doubtless contributed to the expansion of these "pipes." By selling electric power to existing oil and gas customers, or by creating alliances with partners that have large numbers of customers in the regions to provide a range of services, the Group aims to continue its steady growth.

Enhancing the "connecting function" of pipes to further expand the customer base

By using "electricity" to connect the customers at the end of the "pipes" we have already built, and by connecting the customers of our "electricity" related partners in other industries to our existing core businesses, we aim to achieve a chain-like expansion of our customer base.



All eyes on the long-term vision

Becoming an energy trading company that supports local communities by providing a range of services

Next we will discuss our vision for the Group beyond the fiscal 2019, from a long-term perspective.

Over the past half-century, the Company has transformed itself from a fuel trading company to an energy trading company that handles a variety of products. It is now on the verge of casting off the shell of the energy trading company, and evolving further.

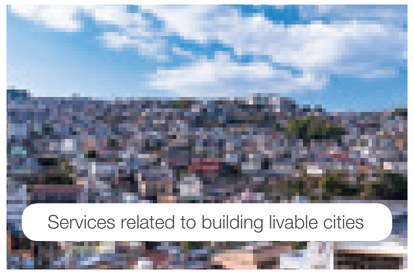
The foundation for this evolution will be, as you might expect, the “pipes” we have spent decades nurturing. We will further strengthen the customer relationships that traverse these “pipes,” or lay down new “pipes” to capture new customers. Through such initiatives, we are creating robust relationships with all kinds of customers, and developing businesses and services to resolve problems in local communities and local life. As part of this effort, we are promoting collaboration that transcends divisional frameworks and the fences that divide business by product on a regional basis. The goal that lies at the end of this attempt to overturn the received wisdom of the organization, which has accumulated over half a century, and to embrace new challenges, is the vision of the Company as “an energy trading company that supports local communities.”

In order to realize this vision of an energy trading company that supports local communities, we believe it is becoming increasingly important to adopt the perspective of the end user. Consumption is rapidly becoming more diverse and deviating from its previous forms. Abundance and ecological awareness have both become an essential part of modern lifestyles. In this mature economy, consumer interest is shifting from “objects” to “intangible things,” with people increasingly demanding experience value. The advent of the hyper-aging society is creating increased demand for new welfare services. The role of electric vehicles (EV) is becoming more important as energy usage shifts to electricity, and experiments involving new social infrastructure that combines energy and mobility are taking place as a result of the evolution and wider utilization of EVs. Things that are necessary for this new era and things that are accepted by consumers will, without question, catch the eye of the consumer and cannot fail to attract a high degree of attention. The Itochu Enex Group must capture and hold the gaze of the consumer, shaping valuable products and services, one by one, as we move into the future. Beginning with end users’ demands, requests and expectations, we will create and provide different kinds of value through our business activities in order to please such end users further. As new end user demands, requests and expectations are generated, we will respond to these in turn to create new value. By constructing such a value creation cycle, we will realize the role of the best partner for life and society, as “**an energy trading company that supports local communities**” through close relationships with customers and regions.

Proposing services from the perspective of the end user to support local community life


“Local production for local consumption” services


Services developed in response to the aging of society


Services related to building livable cities


Next-generation mobility services

All eyes on the long-term vision

Creating mechanisms to encourage autonomous growth

For the Group, the nurturing of human resources is one of the most important challenges to achieve the future growth strategy. With the business environment changing drastically, each employee must be aware that they must shoulder the burden of upcoming changes, and take steps to resolve them on their own initiative. It is important that those employees who are closest to our customers in the community keep their senses honed, and adopt an attitude of avidly desiring growth. We are actively working to create such a corporate culture. One such initiative is the ENEX EARLY BIRD working style reform. Having reviewed previous working styles, we have achieved concrete results from moving ahead with initiatives based on the three pillars of reducing working hours, promoting health and enhancing the quality of work performed.

Moreover, in order to promote the overseas businesses that are designated as growth fields, we have begun initiatives in earnest to nurture global human resources who are capable of carrying out management and administration functions overseas. In fiscal 2018 we introduced a new “Overseas Training System” to develop human resources by employing them overseas, bringing them into contact with local culture, enabling them to learn about local management methods and business customs, and opening the way to future business opportunities. This system will play an important development role in respect to the future of the Company’s overseas strategy, and going forward we plan for it to be maintained over the long term.

In addition, given the birth of new businesses that leverage such technologies as the Internet of Things (IoT), artificial intelligence (AI) and big data, we believe it is important to acquire such management resources from outside the Company in order to strengthen the foundations of the business speedily. We will invest actively in M&A and alliances, an area that is one of the strengths of the Company, and work to build a business portfolio that takes into account efficiency, profitability and growth potential within the context of the Group’s overall growth strategy.

Our message to investors

Building a highly effective governance structure

We believe that shareholders and investors are most interested in enhancements of corporate value clearly grounded in facts. When I think about the management of this Group, while bearing in mind the need to steer in the direction of sustainability and growth potential, I do all that I can to maintain our status as a company that is recognized by society, that is useful to society and that can take pride in itself. From that perspective, we will define once again the environmental, social and corporate governance issues of material importance on which the Company should act, and, in responding to these issues, strengthen initiatives aimed at securing the sustainability and growth potential of the business.

If we widen our vision to the outside world and the entire planet, we notice that inequalities are widening in a number of areas, as shown by differences in the living environment, inter-generational disparities, the gap between rich and poor, and regional inequality. We live in an era in which private-sector companies are required to implement initiatives to resolve such social problems, and we recognize that Itochu Enex, whose corporate philosophy is “the best partner for life and society,” is one of the companies that must shoulder such responsibilities. Moreover, based on our view that management creates value in partnership with investors and shareholders, we will strive to further **strengthen corporate governance** and to improve the transparency and soundness of management by means of reinforced monitoring functions involving Outside Directors and Outside Audit & Supervisory Board Members.

The Company is targeting ROE of 9.0% and a dividend payout ratio of 40% for fiscal 2018. Going forward, the entire Group will work to improve management efficiency and raise profitability, in order to realize sustainable growth and increase corporate value. I humbly request your continued warm support and encouragement for the Group going forward.

Corporate Governance →p. 40 - p. 44

Promoting stronger corporate governance in pursuit of further increases in corporate value

Representative Director
Kenji Okada

This is , ENEX
Our Vision
Strategy
Segment
Management
Data Section
Company Information

ESG challenges and the Itochu Enex Group

We will address ESG and other various social challenges and further increase the sustainability of business models.

Social challenges to be solved, and the Itochu Enex Group's mission and future vision to aim for

With stable energy supplies as a core, we will meet needs low-carbon, economic efficiency and added value, while contributing to a sustainable, smart-energy society.

Mission and business opportunities of the Itochu Enex Group
- Stable energy supplies
- Strengthening supply capacity of renewable energy
- Procurement and supply of clean energy
- EV-support
- Commercializing production of bio jet fuels in 2020

Challenges and change-related risks concerning energy
- Countermeasures for climate change
- Toward a low-carbon society removing CO_2 emissions
- Energy shift to electricity (accelerated promotion of EVs, decrease in demand for gasoline)
- Utilizing next-generation energy
- Coexistence of renewable energy and fossil fuels

Scenario in the Strategic Energy Plan 2050
Take on challenges for energy conversion and decarbonization, and pursue every possible option

2050

2040
Population in Japan Decreased to 95 million
Sales of petrol and diesel vehicles to be banned in UK and France

Paris Accord
(Japan's pledge: A 26% reduction in greenhouse gas emissions compared to FY 2013)

2030
SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD
Coal-fired power stations to be shut down
(By 2013 in France, 2025 in the UK, and 2030 in Canada)

2020
EU will gradually ban palm oil biofuel

5th Strategic Energy Plan*
"To achieve energy mix target towards 2030"
Renewable energy 22~24%
Nuclear power 22~20%
Fossil fuels 56% Energy efficiency (35% reduction in actual energy efficiency)
* Endorsed by the Cabinet on July 3, 2018 under the Basic Act on Energy Policy.

2011
Guiding principles on business and human rights

Mission and business opportunities of the Itochu Enex Group
- Future retail to boost convenience and satisfaction in daily life
- Various services responding to the aging society
- Working environment where people can work with pride

The Itochu Enex Group will contribute to achieving SDGs (UN Sustainable Development Goals).

Challenges and change-related risks of society, life and business
- Advancement of the aging population and declining birth rate
- Widening disparity between the rich and the poor, generations, and regions
- Productivity improvement through the use of IT skills
- Reforms in ways of working

The Itochu Enex Group's stakeholders and contacts

The environment
Activities to reduce environmental impacts through businesses
Environment improvement activities in businesses
Environment-themed social contribution activities

Customers
Sales of merchandise and services
Provision of information through official website
Safety check operations, customer helpdesk and local community events

Local communities
Social contribution activities
Volunteer activities
Dialogue with local residents living around areas of business projects

Business partners, suppliers
Provision of information through official website
Integrated Report ENEX REPORT
Corporate Information ENEX OUTLINE
Training for subcontractors

Employees
Provision of information through our intranet and in-house booklets
Response to whistleblowing and consulting contact points
Communication through various trainings and seminars
Conducting an attitude survey for employees

Shareholders, investors
General Meeting of Shareholders, and briefing sessions for announcement of financial results and others
Handling interviews on the Company's circumstances
Provision of information through official website
Integrated Report ENEX REPORT
Disclosure of materials in English

ESG statement of the Itochu Enex Group

Under the corporate philosophy "The best partner for life and society – with Energy, with the Car, with the Home – ," the Itochu Enex Group has a mission to stably deliver the bounty of energy to everyone, and it seeks to always offer the value and services that customers truly require.

We will continue to contribute to the development of people's good lives and a sustainable society through promotion of businesses that fit with the new times, solution of social challenges and our efforts for corporate social responsibility.

Setting "reducing the environmental impact," "creating diverse values" and "healthy business activities" as three areas to currently focus on, all board members and employees of the Itochu Enex Group will execute their duties consciously so that we will be an energy company that achieves sustainable growth while generating value.

ESG challenges that the Itochu Enex Group focuses on <three priority areas and initiative themes>

Reducing the environmental impact (With the environment)	Creating diverse values (With society)	Healthy business activities (Governance)
Under the environmental policy, we will work on continuing environmental conservation and improvement activities and contribute to a sustainable society with an aim to help society achieve better coexistence with the global environment.	We will contribute to developing local communities through providing stable energy supplies and creating diverse values that meet various societal and lifestyle needs.	In accordance with the Code of Conduct and the Declaration of the Group Code of Conduct, we will proactively disclose information keeping in mind strict compliance, emphasis on shareholder returns and management transparency.
•Realizing a low-carbon society •Reducing the environmental impact of our business activities •Striving to conserve energy •Contribution to resource conservation / recycling-based society •Preserving local environments	•Stable energy supplies •Response to promote sustainability of life in local communities (Response to the aging society) •Advancement of value-added services •Reforms in ways of working and utilization of diverse human resources •Social contribution activities in local communities	•Improving corporate governance •Fulfilling CSR and ensuring compliance •Fair and proactive information disclosure •Responsible procurement and supply •Upholding industrial safety and health

Process of selecting important challenges and promoting initiatives

Identifying and understanding challenges	The Group identified social challenges from SDGs, international guidelines, and FTSE indices.
Prioritizing challenges	The Group selected challenges based on their importance to stakeholders and the Itochu Enex Group, and worked on these challenges in order of priority
Confirming appropriateness of selected challenges	The Group integrated the selected challenges into the Group's ESG statement and pushed forward with initiatives.

Basis for selection of important challenges

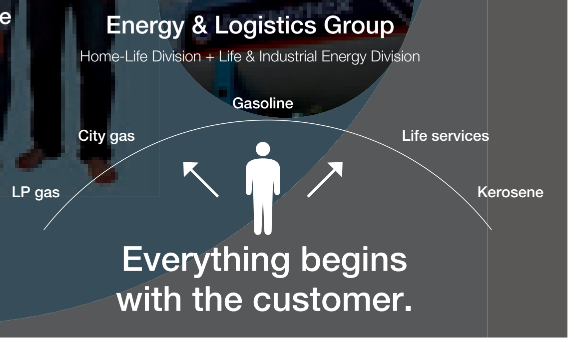
Standpoint of stakeholders	Standpoint of the Itochu Enex Group
UN Sustainable Development Goals Requirements in international guidelines Results of objective evaluation by a third-party organization, FTSE	The Itochu Enex Group's Corporate philosophy Code of Conduct: Be Ethical Declaration of the Group Code of Conduct Medium-term business plan "Moving 2018 – Connecting to the future"

Further growth from developing businesses in response to regional needs

The Energy & Logistics Group: a supportive presence in regional life and industry

Answers to all the customer's oil and gas service needs, in one place

Over more than half a century since it was founded, the Company was organized around oil and gas products respectively, and such matters as business initiatives and personnel assignments were conducted separately and individually by the oil and gas operations. However, what the customers are demanding is an environment in which they can obtain energy more easily, more economically, and in forms that require less effort to use, as well as the convenience of being able to choose freely from a variety of options. Having thought through the issues from a consumer-oriented perspective, the Company launched the Energy & Logistics Group in April 2018 to unify points of contact with customers in oil and gas sales. Under this new group the Home-Life Division, which mostly deals with household customers, and the Life & Industrial Energy Division, which consists primarily of Car-Life and industrial customers, will cooperate with each other to promote business, as we unify the points of contact for regional customers.



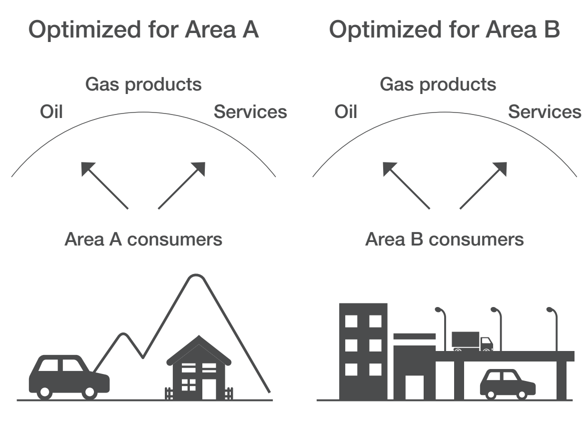
Creating a variety of new services matched to the area from a resident's perspective

Going forward, instead of being organized around the products it handles, the businesses, personnel and organization of the Energy & Logistics Group will be optimized on the basis of geographic area. These will then provide the energy products and diverse services that are really required from the perspective of the region and local residents, aiming to become the company most supported and chosen by both the region and by customers.

Integrating oil and gas operating companies in the Tohoku area

This consumer-oriented approach to unifying the points of contact with oil and gas customers is spreading out to other companies within the Group. In April 2018, the operations of Itochu Enex Home-Life Tohoku Co., Ltd., which operates an LP gas sales business in the Tohoku area, and Tohoku Tanku Shoukai Co., Ltd., which operates an oil sales business primarily in Aomori Prefecture, were merged. Both companies are working to provide even more attractive energy products to their respective customers, and enhancing their sales competitiveness.

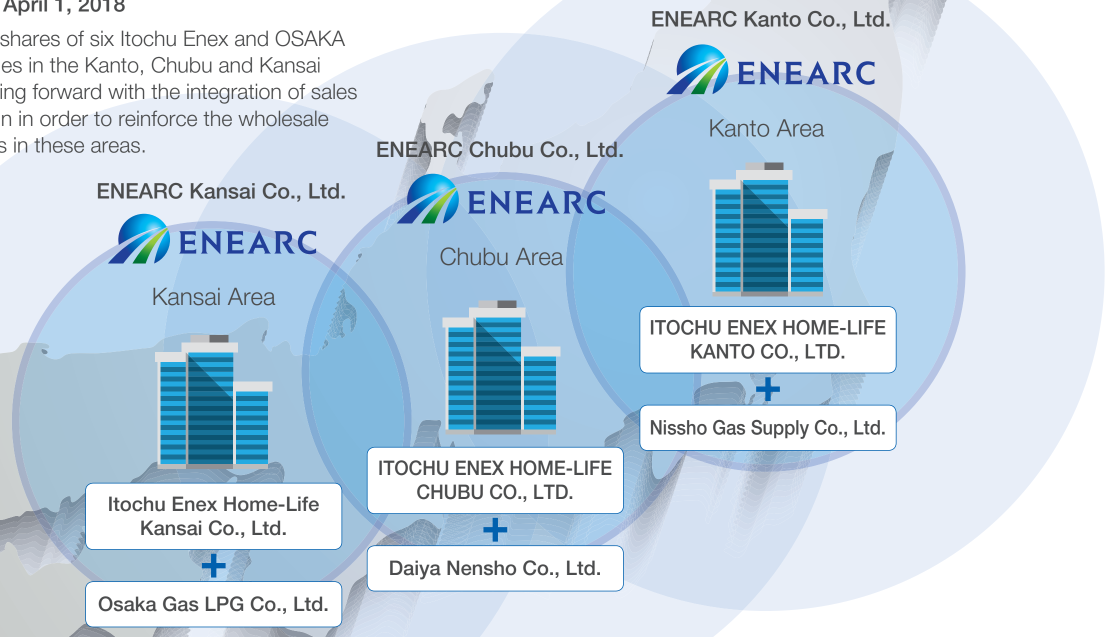
Goal of Energy & Logistics Group's Business Development



ENEARC: strengthening customer-centric regional gas sales

Integration of six companies in the Kanto, Chubu and Kansai regions on April 1, 2018

ENEARC owns the shares of six Itochu Enex and OSAKA GAS sales companies in the Kanto, Chubu and Kansai regions, and is moving forward with the integration of sales companies by region in order to reinforce the wholesale and retail operations in these areas.



Reorganizing the LP gas sales network in cooperation with OSAKA GAS

Due to stagnant demand, the domestic LP gas industry is struggling with severe business conditions, and raising productivity through expanding the business foundation and strengthening cost competitiveness has become an urgent issue. In response to this, on October 1, 2017, the Company and OSAKA GAS CO., LTD. established a joint-venture company, in which each company took a 50% stake, named ENEARC Co., Ltd., thus integrating and reinforcing the LP gas wholesale and retail businesses in the Kanto, Chubu and Kansai regions. Reorganization of the business is also being implemented in other regions. As a result of these actions, the Group's LP gas customer base (including city gas) has grown to around 1.5 million households.

Going forward, we will continue to contribute to society as an LP gas operator that provides stable supply, as well as a strong response in times of emergency, by means of more transparent pricing and an extensive network.

Customer base after reorganization (LP gas/city gas)

1.08 million households → **1.5** million households

Making ENEARC the most familiar and reliable regional presence

ENEARC will generate synergies by concentrating the management resources of the sales companies in each area, and raise efficiency by reorganizing businesses, resulting in the provision of more competitive and higher quality products and life services. In this way, it aims to become "the most familiar and reliable regional presence for local customers," and to transform itself into a company that is also active in the housing field.

Reorganization in areas other than Kanto, Chubu and Kansai

Effective October 1, 2017, Nissho Petroleum Gas Corporation, a subsidiary of OSAKA GAS, transferred its entire shareholding in its subsidiary Nissho Propane Sekiyu Co., Ltd. to the Company, and its entire shareholdings in Ehime Nissho Propane Co., Ltd. and Kochi Nissho Propane Corporation to ITOCHU ENEX HOME-LIFE NISHI-NIHON CO., LTD. Also, in the Hokkaido area, the operations of Itochu Enex Home-Life Hokkaido Co., Ltd. and Nissho Propane Sekiyu were integrated, and the reorganization of the business by region is proceeding steadily.

Overview of ENEARC Co., Ltd.

Integration of the wholesale and retail LP gas operations in the Kanto, Chubu and Kansai areas. The goal is to raise efficiency by sharing strengths and know-how to generate synergies, concentrating management resources, and reorganizing businesses.

Head office	: 2-10-1 Toranomon, Minato-ku, Tokyo
Established	: October 1, 2017
Capital	: ¥1.04 billion
Representative	: Masaaki Itoyama, Representative Director, President and Chief Executive Officer
Investment ratio	: Osaka Gas 50.0%, Itochu Enex 50.0%

Building an energy bridge to the future.

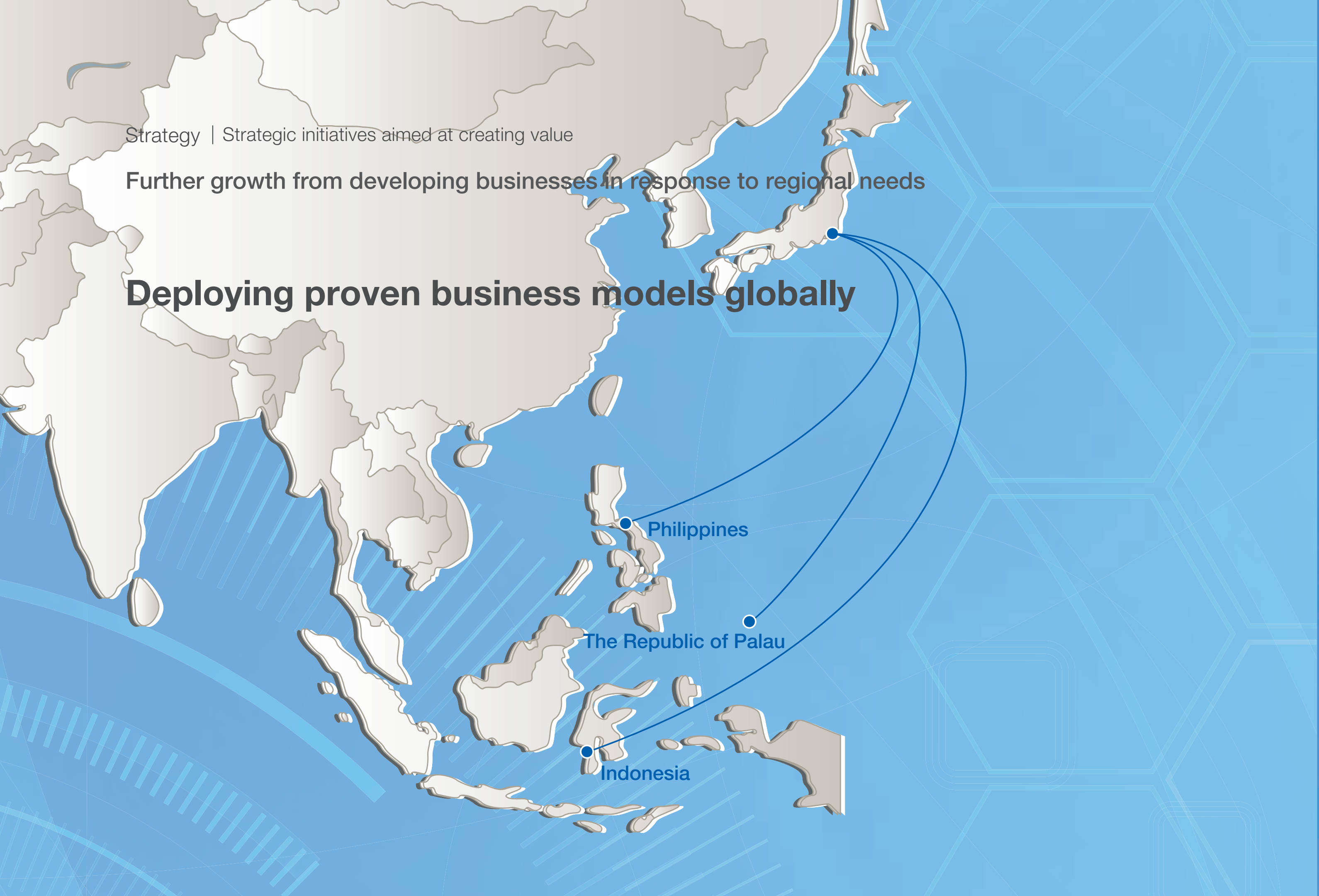
ENEARC

The name of the company is derived from "energy" and "arc." The name incorporates our wish to be a bridge to a dynamic future, and to become the most valuable presence in our customer's lives.

This is , ENEX
Our Vision
Strategy
Segment
Management
Data Section
Company Information

Further growth from developing businesses in response to regional needs

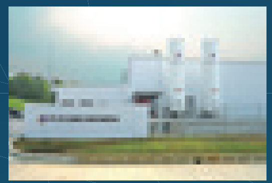
Deploying proven business models globally



Capturing the rising demand for energy in Asian regions to drive growth

Using the know-how and business models developed in Japan, and leveraging the overseas network of the Itochu Group, we are actively developing overseas projects. The Asian market, with its remarkable economic growth, is a particular target, and we are actively working to establish businesses while keeping in mind the characteristics of local demand and geopolitical stability.


IP&E Palau,Inc.


PT.ITC ENEX INDONESIA


Creasia Energy Holdings, INC.

“Making Asia our backyard”

Sales of industrial gas in Indonesia

PT. ITC ENEX INDONESIA was founded as a joint venture between the Company and ITOCHU INDUSTRIAL GAS CO., LTD., and manufactures and sells industrial gas primarily to Japanese- affiliated companies that have entered the Indonesian market.

Overview of the business in fiscal 2017

By obtaining a sales license for all varieties of industrial gas in November 2017, the conditions for expanding sales improved significantly. The safety and security implied by Japanese quality (safety and storage management etc.) have been well received by both Japanese-affiliated companies and local companies, and it has developed into a business in which we can be highly confident of ongoing growth.

Outlook going forward

From this point on, we will leverage the full advantages of being able to sell all varieties of industrial gas, extend our share of the growing Indonesian industrial gas market, and seek to improve profitability through alliances with local companies.

Palau Project

By acquiring a 25% stake in IP&E Palau, Inc., we have entered the business of petroleum product import and wholesale, as well as direct sales, in the Pacific region.

LP gas sales business in the Philippines

The primary operating entity is Isla Petroleum & Gas Corp. (IP&G), in which an equity stake has been taken by Creasia Energy Holdings, INC., a joint venture between the Company and ITOCHU Corporation, and which is developing an LP gas sales business in the Philippines.

Overview of the business in fiscal 2017

With the intention of conveying the LP gas business know-how we have developed in Japan to IP&G, the company in which we have taken an equity stake along with our local partner, we have worked intensively on matching Japanese and Philippines culture, the industry and the market, and are promoting the sharing of our ideas with local staff.

Outlook going forward

By improving operational efficiency through the introduction of a bar code system for container management, offering consulting functions, proposing high value-added supply equipment, and introducing new gas-driven equipment such as GHP*, which leads to reductions in energy costs, we seek to entrench our position with customers and create demand for LP gas.

*GHP: Gas engine Heat Pump air conditioner system that uses a gas engine to rotate the external compressor, and provides heating and cooling through the action of a heat pump.

Using the wind to drive new growth

Promoting an electric power business that contributes to a low-carbon society

The Tainai wind power generation plant steadily in its favorable location overlooking the Sea of Japan

The JEN Tainai Wind Farm owned by the Group stretches along the Sea of Japan coastline of Tainai City in Niigata Prefecture for a total length of 8 km, consisting of 10 wind turbines with a generating capacity of 2,000 kW each. In this region, strong winds blow from the west-northwest in the winter, and the average annual wind speed is as high as 6.4 m/s. In addition, as well as achieving a high degree of tracking to cope with changes in direction and the upward-rising winds characteristic of Japan, lightning countermeasures of the highest level have also been introduced. The wind power generation facilities have continued to operate safely and stably, and produce about 30,000 MWh, roughly enough to supply electric power to the equivalent of around 11,000 households.

Overview of site

Business location	Tainai City, Niigata Prefecture
Generating capacity	10 turbines of 2,000 kW capacity
Annual power generated	Around 30,000 MWh

Sufficient for

11,000 households

Annual power generated by Tainai Wind Farm

Hydroelectric power plant begins major program of improvements in preparation for the next hundred years

In the Myoko mountain range of Niigata Prefecture runs the Yashirogawa river, on which is located the hydroelectric power facilities owned and operated by the Group’s Joetsu Energy Service (hydroelectric facilities No.1, No.2 and No.3). This plant began operations nearly a century ago, in 1927, and has gradually deteriorated over time. Accordingly, a major program of improvements has been started, and is scheduled to finish in December 2021, with the aim of raising the efficiency of the facilities. After operation restarts, the Feed-in Tariff (FIT) Scheme for Renewable Energy will be adopted, and we will work to strengthen our balanced internal power portfolio, which includes our specialty of renewable energy.

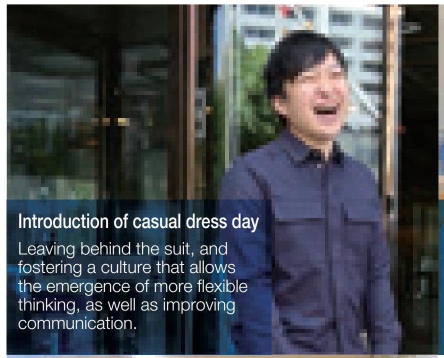
Overview of improvement project

Business location	Joetsu City, Niigata Prefecture
Generating capacity	9 MW
Scheduled completion	December 2021
Electric power sales	FIT adopted for entire output

¥8.0 billion

Total investment in improvements over four years

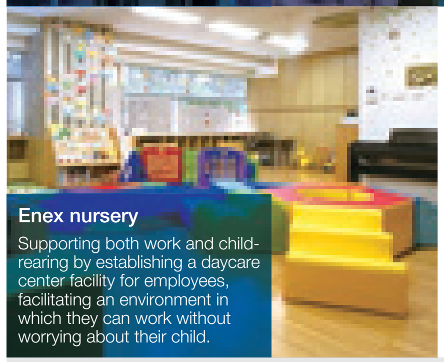
Promoting ENEX EARLY BIRD working style reforms



Introduction of casual dress day
Leaving behind the suit, and fostering a culture that allows the emergence of more flexible thinking, as well as improving communication.

Enex café opens
Revitalizing communication by opening a space for relaxation within the office.

Promoting mobile work
An initiative* to promote the sharing of office spaces within the Itochu Group in order to improve productivity.



Enex nursery
Supporting both work and child-rearing by establishing a daycare center facility for employees, facilitating an environment in which they can work without worrying about their child.

Certified as one of the "Excellent Enterprise of Health and Productivity Management" and signatory to the Tokyo Work Style Reform Statement (Certified from 2017 onward)

Certified as a Company Promoting Sports in Tokyo, and as a sports-supporting company

Support for company sports
Leaving the office at a set time to perform exercise is encouraged, and expenses associated with internal company sports activities are partially subsidized.

Progress report on working style reforms in FY2017 (compared to FY2016)

80% 5%↑	15hours 1hour↓	60% 4%↑
Percentage of employees taking paid vacation time	Average overtime per month (for those not seconded to other companies/non-executives)	Non-smoking ratio

*The "Itochu Group Sharing Office" initiative consists of four companies: Itochu Enex, ITOCHU Corporation, Nippon Access, Inc., and FamilyMart UNY Holdings Co., Ltd.

The goals of ENEX EARLY BIRD working style reforms

Developing and fully utilizing human resources, an important intangible asset, is the key to the creation of value demanded by customers and the market. Through the ENEX EARLY BIRD working style reforms that the Group has been implementing since November 1, 2016, we seek to draw out the full capabilities of each employee, and to link this to sustainable medium- to long-term growth.

Overview of the ENEX EARLY BIRD initiative

We have implemented fundamental initiatives around the three pillars of "banning long work hours," "promoting health," and "enhancing the quality of work performed." We are also working to become an even better company, a company where employees find their work rewarding and express pride in their employment in front of their family and society, as well as a company where employees can work with consideration for others.

Measures implemented

(1) Shifting from late-night overtime to morning-based work
(2) Ending meals with customers or colleagues by 10:00 p.m.
(3) Setting a target of taking at least 80% of paid vacation time
(4) Setting a target of at least 80% of employees with a BMI of less than 25
(5) Setting a target of 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

ENEX EARLY BIRD

Moving head office to Kasumigaseki Building for a next-generation workplace

As part of one of the basic policies stated in the Group medium-term business plan, "Connecting people and functions of the Group — Reforming the organizational base," the head office will be moved to the Kasumigaseki Building in February 2019.

*Itochu Enex and 10 others, including group companies, are scheduled to move into the Kasumigaseki Building.

Relocation concept and floor plan

Connecting to the future — Connecting people and functions of the Group for future growth —		
1. Improvedcommunication – Making intentional connections between people and organizations –	2. Nurturing a sense of unity – Sharing the same space together, having the same awareness –	3. Working style reforms – Implementing ENEX EARLY BIRD –
A layout with routes that allow circuits of the floor, and that permits the mingling of people and information A layout that allows internal cooperation to take place more widely, more deeply and more quickly	A multipurpose space that allows people to gather and transcend group, floor and position inside or outside the company Integrated reception that conveys a shared sense of the unique aspects of Enex	Working floors that help you become healthy without you realizing it A space in which to concentrate and work with high efficiency, facilitating the generation of new concepts and values

Shift to digital also to be promoted in new workplace

Internal extensions that use smart phones (transfer from fixed lines), enhancement of online meeting and seminar functions, and strengthening of information security through digitalization of documents, discontinuing the use of individual cabinets, etc.

Launch of "Overseas Training System" to develop global human resources

The first cohort of students passing through the overseas training system that began in April 2018

10 employees, 8 countries, 2 years

Nurturing the skills and temperament that enable the creation, development and expansion of business in overseas markets

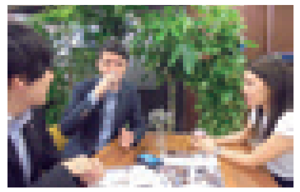
The Group is making efforts to expand overseas, with Asia as the primary market. From April 2018 onward, we began a system whereby mainly younger employees, irrespective of their current area of business, are posted overseas to ITOCHU Corporation group companies or Itochu Enex group companies, to do actual work. As well as acquiring skills in English and local languages, trainees will seek to understand local business customs and culture, and also to accumulate business know-how, resulting in the nurturing of personnel who are able to respond immediately and flexibly to future developments in the overseas business. In addition, in order to support the acquisition of English by employees, we have implemented a new system to subsidize the expense of learning English. We believe that developing global human resources is one of the key points influencing the Company's growth potential going forward.

Nurturing the next generation of business leaders

This management training, which aims to cultivate the knowledge and skills for a new generation of leaders, is an initiative to develop personnel who can take a big-picture view of the Group and possess not only curiosity, wide-ranging knowledge, a spirit that embraces challenge, and sensitivity to risk but also the overall ability to put these to good use. Furthermore, we make full use of a graduate school for working professionals to deepen business management expertise through such qualifications as Master of Business Administration or certified public accountant. We support an extensive educational program that allows each individual to engage with their work in a worthwhile way, and to further their career.

Promoting the strengthening of diversity and human resources

What is required as the Company works to create innovation going forward is the richness of the population, consisting of diversity of viewpoint, sensitivity, intellect, career, values and dynamism. To develop, maintain and further grow this abundance, the Group is working on initiatives to strengthen diversity, which will also help create a healthier and more sustainable organization and corporate culture.



Strengthening initiatives to hire and fully utilize women

Hiring and full utilization of employees of foreign nationality

At Enex Fleet Co., Ltd., six employees of Philippine nationality have been hired and are working in vehicle inspection and maintenance operations in the Car-Life Station (CS) business, following the Technical Intern Training Program supported by the Japan International Training Cooperation Organization (JITCO) as permitted by the Cabinet Office. ITOCHU INDUSTRIAL GAS CO., LTD. has also hired three employees of Indonesian nationality as technical interns, working on the coating operations within the container pressure inspection process at the company's factory. When hiring foreign employees, we provide detailed support in the form of Japanese language education and extensive training program.

Message from CFO

Through efficient financial and capital operations, we are supporting the sustainable growth of the Itochu Enex Group.

Director and Chief Financial Officer, Atsushi Katsu

Fiscal 2017 review

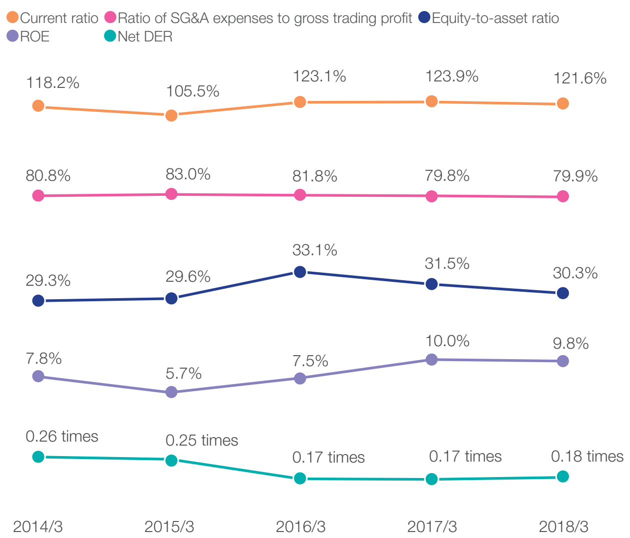
Record profit for three straight years! The first year of the medium-term business plan got off to a strong start.

Fiscal 2017 was the first year of the medium-term business plan "**Moving 2018 Connecting to the future.**" The current plan is a two-year plan, and its basic policy is to promote the reform of the revenue base and organizational base to connect to future growth.

Looking back at fiscal 2017, we largely exceeded the goals set forth in the quantitative plan of "a net profit attributable to Itochu Enex's shareholders of ¥10.4 billion" with ¥11.0 billion and succeeded in recording record profit for three straight years. This result also exceeded our target of ¥10.8 billion in the final year of the plan.

However, profit from operating activities fell below fiscal 2016 results at ¥17.2 billion, but this was mainly due to the promotion of the reform of the revenue base, including the reorganization and integration of the LP gas business and withdrawing from and disposing of inefficient locations, with levels still exceeding the fiscal 2017 plan. Therefore, we believe the first year of the medium-term business plan got off to a strong start both quantitatively and qualitatively.

Trends in major financial indicators



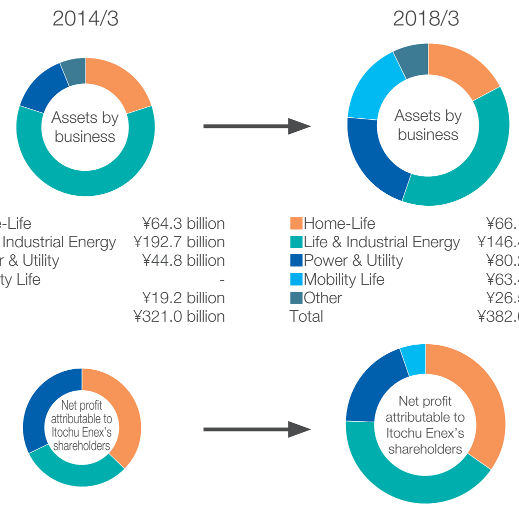
Financial strategy and capital policy

By supporting the soundness of the Company from the financial base and boosting profitability, we are working to increase our corporate value.

To continuously implement proactive investment in fields that act as growth drivers, we will work to maintain a highly sound financial base. In addition to maintaining the same level of net DER of 0.17 times for the past three years, with a current ratio of 121.6% and an equity-to-asset ratio of 30.3%, the Company has a sufficient base to promote proactive investment. Going forward, we will maintain these conditions, and support the soundness of the Company.

Furthermore, we have succeeded in maintaining a level below 80% for the ratio of SG&A expenses to gross trading profit, set as a KPI to secure profits and promote efficient management, continuing to control our business portfolio, shrink inefficient businesses, and review inefficient operations through the promotion of work-style reforms (ENEX EARLY BIRD), as we work to maintain and improve these levels and boost our profitability and efficiency. This will allow us to steadily achieve ROE of 9% or more and represent a financial base and revenue base that can achieve 10% ROE or more.

Changes to the business portfolio



Assets by business

	2014/3		2018/3
Home-Life	¥64.3 billion	Home-Life	¥66.1 billion
Life & Industrial Energy	¥192.7 billion	Life & Industrial Energy	¥146.4 billion
Power & Utility	¥44.8 billion	Power & Utility	¥80.2 billion
Mobility Life	-	Mobility Life	¥63.4 billion
Other	¥19.2 billion	Other	¥26.5 billion
Total	¥321.0 billion	Total	¥382.6 billion

Net profit attributable to Itochu Enex's shareholders

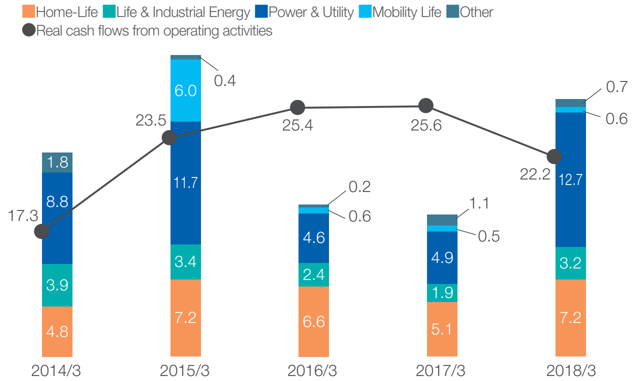
	2014/3		2018/3
Home-Life	¥2.8 billion	Home-Life	¥4.0 billion
Life & Industrial Energy	¥2.3 billion	Life & Industrial Energy	¥5.1 billion
Power & Utility	¥2.4 billion	Power & Utility	¥2.2 billion
Mobility Life		Mobility Life	¥0.2 billion
Other	¥(0.4) billion	Other	¥(0.5) billion
Total	¥7.1 billion	Total	¥11.0 billion

Investment policy

Pursue profitability and growth potential and work to optimize assets.

While placing an emphasis on balancing "offense" and "defense," to realize sustainable growth and increased corporate value, we will continue to prioritize the allocation of management resources to highly profitable businesses such as the electric power field. Furthermore, we will reduce the resources allocated to businesses with low profitability or undue risk, thoroughly implementing so-called "selection and concentration." As a tool to achieve these goals, we completed the revision of our investment criteria in the previous fiscal year, and while being more aware of the balance between risk and return, we will work to optimize our assets.

Investment amount and real cash flows from operating activities* (billions of yen)



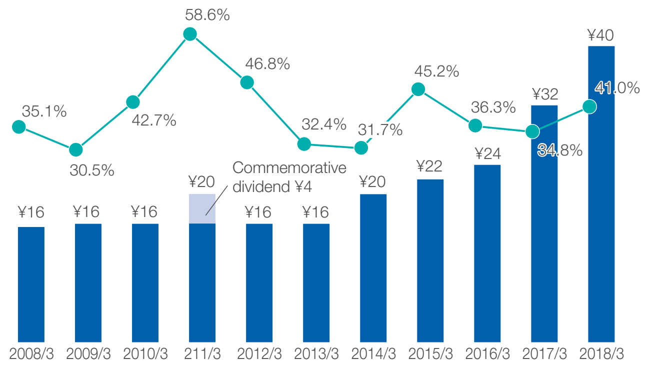
*Cash flows from operating activities excluding working capital, etc.

Shareholder return policy

We changed the consolidated dividend payout ratio to 40% or more. We will continue stable dividends.

We have striven for the stable and sustainable return of profits to shareholders, but given that we exceeded plans in the final year of the medium-term business plan in fiscal 2017 (net profit attributable to Itochu Enex's shareholders of ¥10.8 billion) and given the steady progress in improving the revenue base, based on an overall consideration of medium- to long-term results and capital efficiency, etc., in fiscal 2018 we changed our basic policy relating to profit distribution from the previous "consolidated dividend payout ratio of 30% or more" to "40% or more." Going forward, while increasing profitability, we will work to realize continuous growth and respond to the expectations of shareholders.

Annual dividends per share and dividend payout ratio



Dialogue with shareholders and investors

Going forward, through continuous dialogue, we will work to further improve our IR activities.

The Company's basic policy for our IR activities is to deepen shareholders' and investors' understanding about the Company and work to enhance our corporate value through continuous dialogue with them. Based on this basic policy, in addition to the financial results presentation meetings held twice annually and attended by all directors, as well as the interviews with institutional investors and security company analysts, through two-way dialogue at briefings for individual investors and other initiatives, while deepening their understanding about the Company, we listen earnestly to opinions about the Company's management system and business strategy, etc. and reflect them in management.

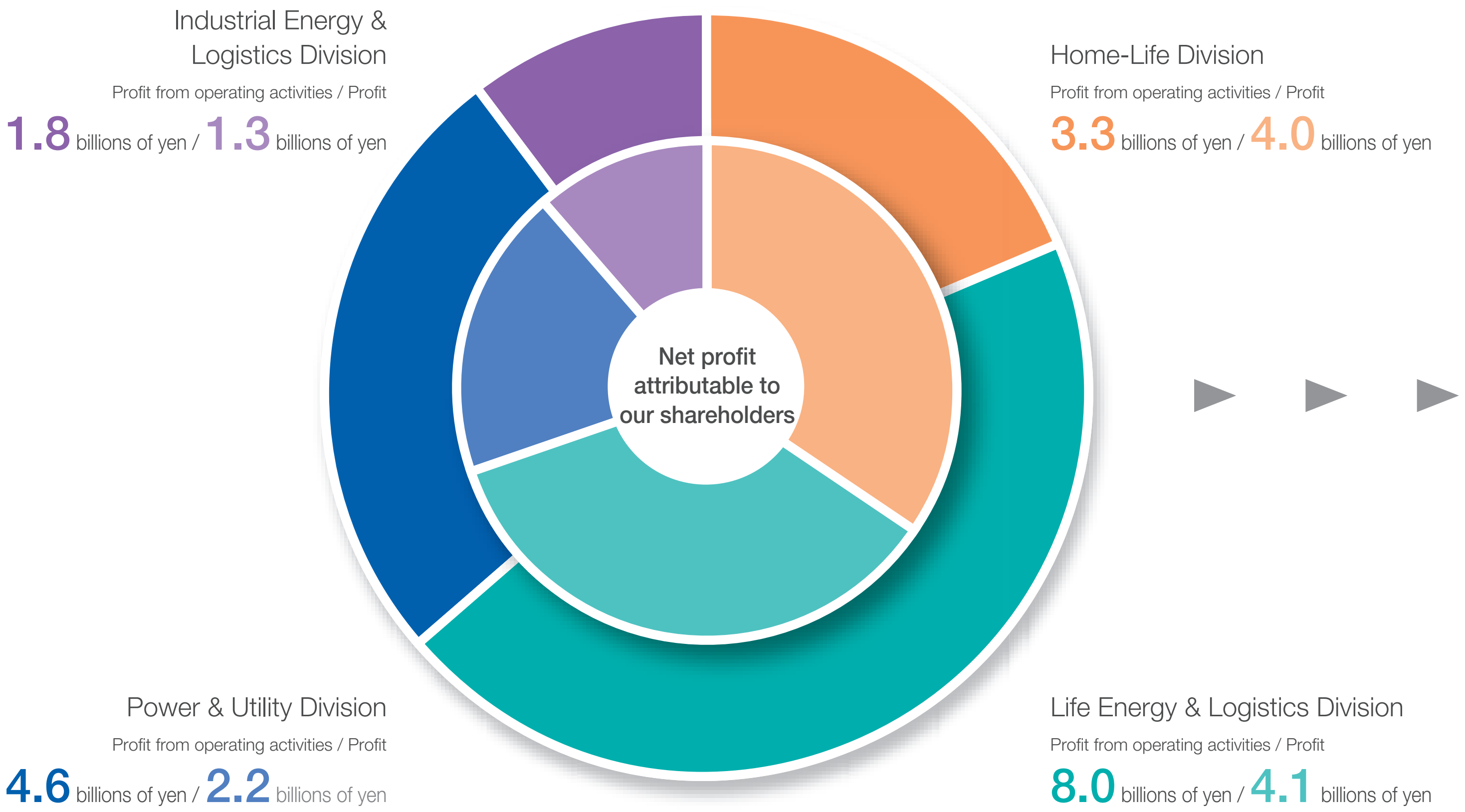
Going forward as well, through a sincere approach with shareholders and investors and continuous dialogue, we will work to further improve our IR activities.

Financial results presentation meeting

Segment | The ability to create value

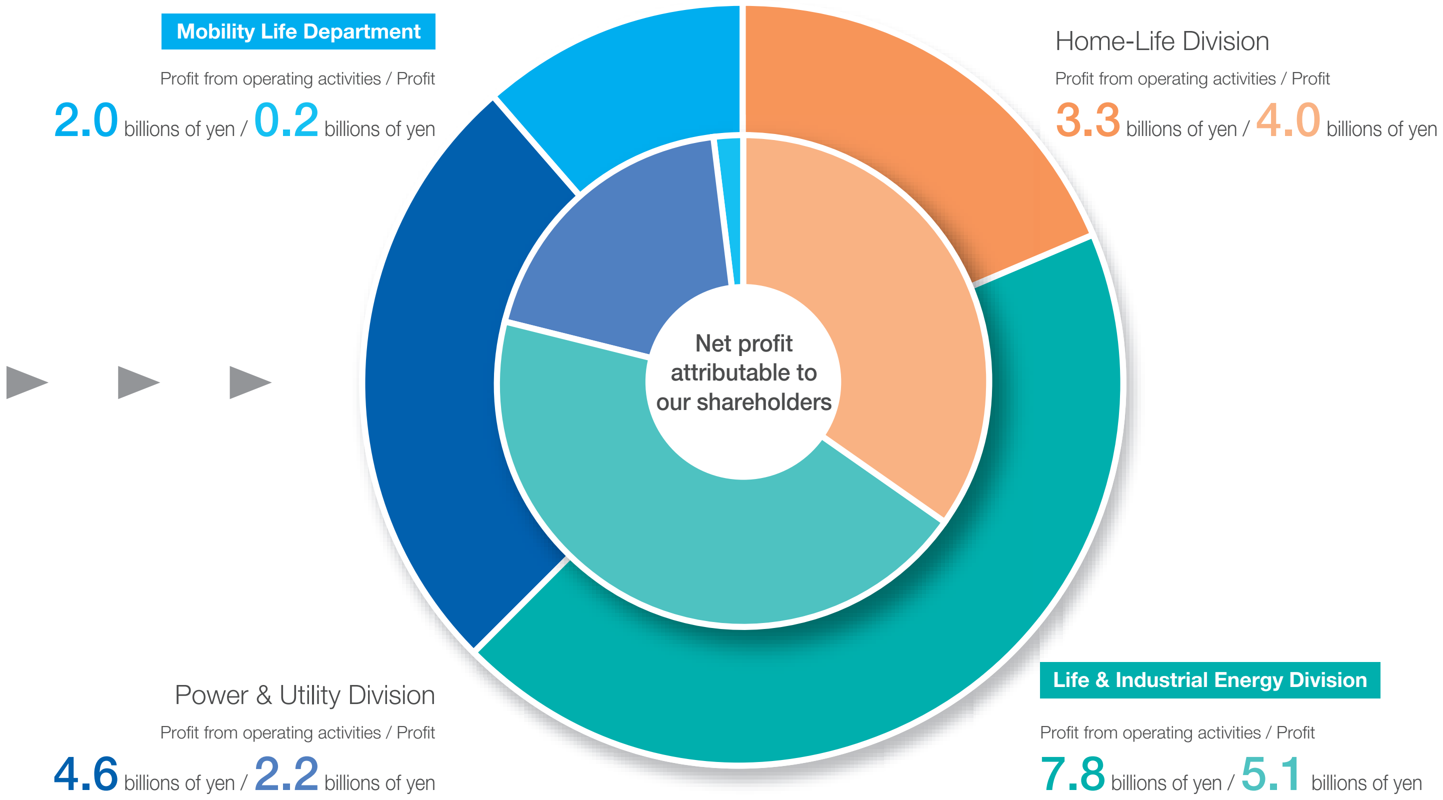
[BEFORE] FY2017
Profit from operating activities / Net profit attributable to Itochu Enex's shareholders
[by Division]

Profit from operating activities

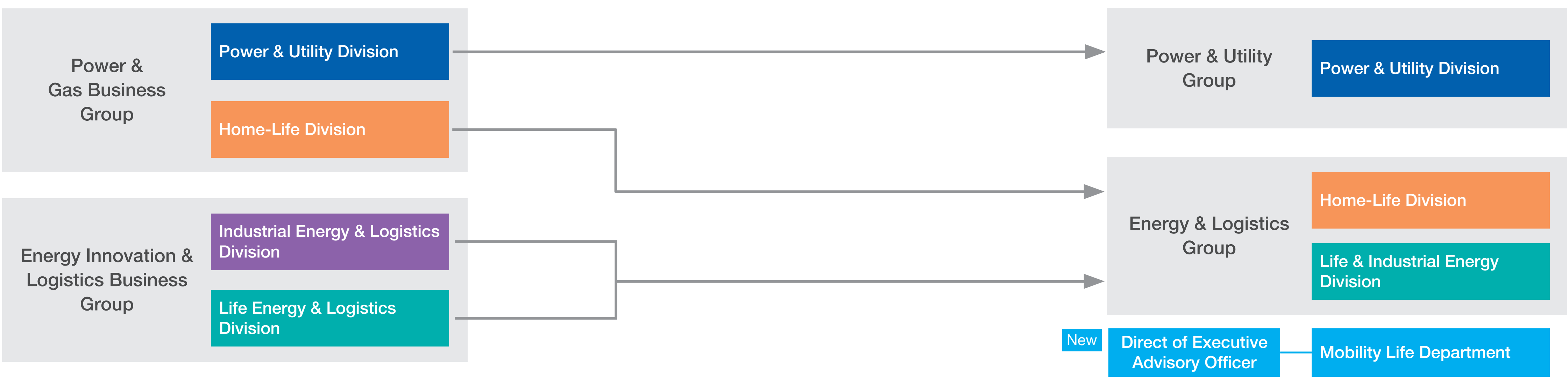


[NEW] FY2017
Profit from operating activities / Net profit attributable to Itochu Enex's shareholders
[by Division as of 2018/4~]

Profit from operating activities



Before Organization (~2018/3) **New Organization** (2018/4~)



Exept for "Adjustment" stated in the Earnings Reports.

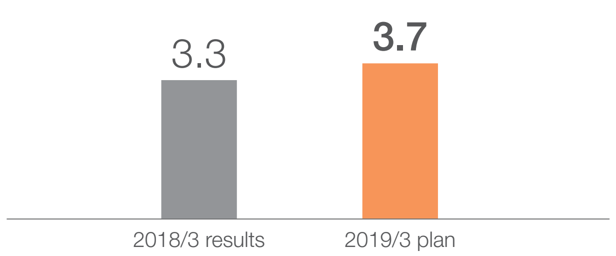
Business divisions

Home-Life Division

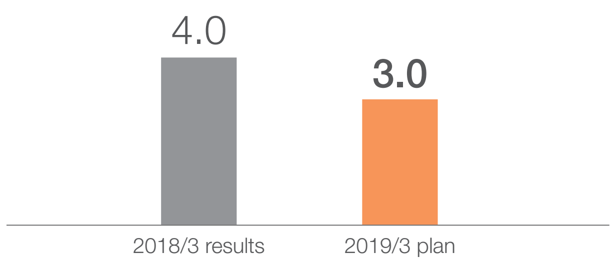
Through delivering LP gas and various smart-energies, we propose "comfortable," "affluent" and "secure" lifestyles.

Chief Operating Officer, Energy & Logistics Group and
Chief Operating Officer, Home-Life Division
Kyosuke Wakamatsu

Profit from operating activities (billions of yen)



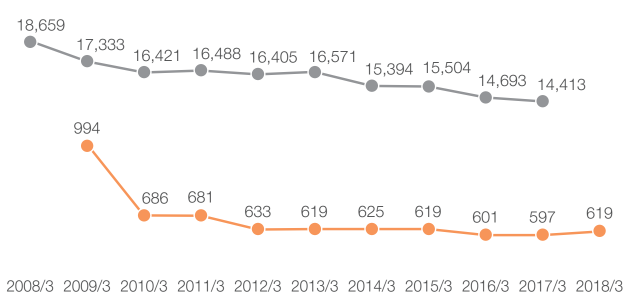
Net profit attributable to Itochu Enex's shareholders (billions of yen)



The market environment

The domestic LP gas market is welcoming a large period of change, with a scramble for clients beyond the boundaries of the gas industry through the full liberalization of retail power and city gas, as well as the reorganization of oil sales companies, etc. However, turning to the overseas market, economic growth in Asian countries is leading LP gas demand to grow year by year, and we expect largely expanded synergies with our existing businesses going forward. In the Home-Life Division, our business must stay one step ahead of the times, as we work to understand the needs of the market and customers and pursue the streamlining and increased efficiency of our operations. We provide added value in our existing strengths and continue to be "Our Customers' First Choice" both in Japan and overseas.

LP Gas sales (Unit: Thousands of tons) ●Nationwide ●The Itochu Enex Group

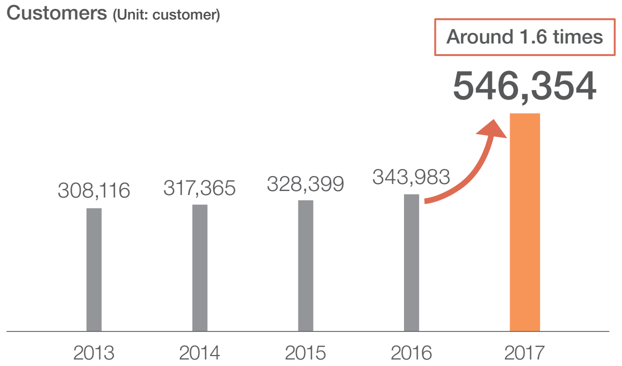


Medium- to long-term ideal profile

Expand our customer base through LP gas + α service

In the division, the medium-term business plan lists 1) expanding the customer base, 2) optimizing assets, and 3) increasing earning power, and we are working to rebuild the revenue base. We aim to provide an even greater level of benefits to our customer base, which has expanded greatly from the second half of fiscal 2017 (see graph to the right). Furthermore, in this period as well, we are creating a "sense of value" from our products and services through close collaboration with other divisions and have won a "sense of trust" from increased brand recognition. We plan to further expand and improve overseas businesses by combining the knowhow cultivated in Japan with the market and customer needs of each country, and by promoting and providing new fields of business.

Customers (Unit: customer)



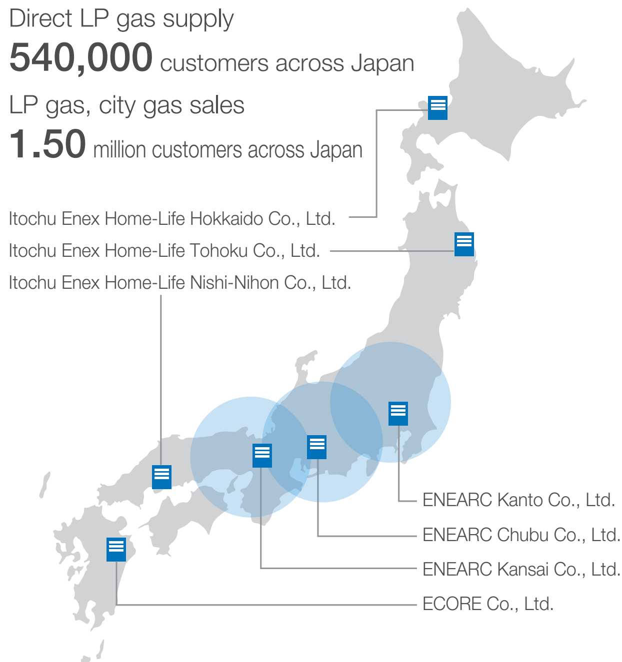
Fiscal 2017 review

Drove the reorganization of the LP gas industry, overseas businesses also grew

In October, we established ENEARC Co., Ltd. through a joint investment with OSAKA GAS CO., LTD. Sales companies in the Itochu Enex Group and the OSAKA GAS Group were placed under the umbrella of the newly established company, and the Itochu Enex Group acquired shares in three Osaka Gas Group sales companies in Hokkaido and two prefectures in Shikoku. As a result, the number of customers under direct LP gas supply contracts increased to approximately 546,000.

Regarding sales of electricity for households, the division promoted the expansion of the customer base by focusing mainly on sales of combined LP gas and electricity supply packages. As a result, as of March 31, 2018, the number of supply contracts increased by around 12,000 for a total of approximately 54,000.

In overseas businesses, the sales network and the customer base are growing strongly in our industrial gas sales business in Indonesia (PT. ITC ENEX INDONESIA) and at our LP gas sales business in the Philippines (Isla Petroleum & Gas Corporation).



Topics

The number of customers under direct LP gas supply contracts following business reorganization with the OSAKA GAS Group

345,000 ⇒ **546,000** (up 201,000 year on year)

Promoting set sales of "LP gas + electricity" The number of customers under electricity supply contracts

42,000 ⇒ **54,000** (up 12,000 year on year)

Fiscal 2018 initiatives

Rebuilding the LP gas wholesale and retail sales bases Focusing on "increasing," "defending," and "improving" the customer base

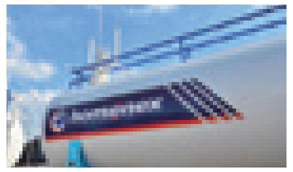
- Thorough segment management by organizing and increasing the accuracy of the customer database
- Implementing effective approaches and promotions for each customer
- Preventing customer loss through retention policies utilizing sales of other products such as electricity and kerosene as well as peripheral services and points, etc.
- Strengthening our base and training human resources through the sales promotion campaign "likyan!"

Identifying growth strategies in peripheral businesses

- Industrial gas business growth strategy (cooperating with other companies and pursuing M&A)
- Stabilize earnings in the high pressure gas container pressure testing business
- Pursuing innovation in BtoB peripheral businesses

Overseas businesses

- Indonesia (industrial gas sales business): expanding customer base by diversifying sales schemes
- Philippines (LP gas sales business): creating new demand and expanding business by utilizing Japanese knowhow



Home-Life Division overview

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	1.50 million households across Japan, corporate users, 2,700 distributors
Forms of business	Retail and wholesale sales

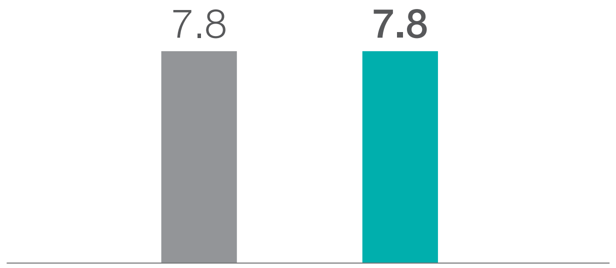
Business divisions

Life & Industrial Energy Division

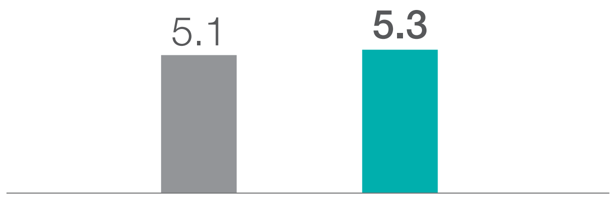
We will help build a better society with diverse forms of energy and services to benefit local people and industry.

Chief Operating Officer, Life & Industrial Energy Division
Toshihisa Fuse

Profit from operating activities (billions of yen)



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

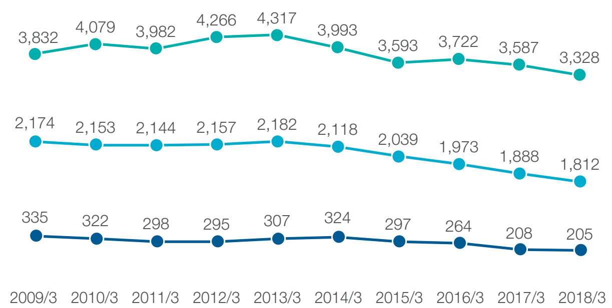


The market environment

The market environment of the division is characterized by a structural trend of decline in the use of fuel for vehicles at CS (Car-Life Stations) and petroleum fuels in industry due to factors such as the declining birth rate and aging population and the more efficient use of energy. Like demand for petroleum fuels, the number of service stations across Japan has declined by half from the peak to around 31,000, and the trend of decline is expected to continue. In addition, further streamlining and consolidation in the petroleum fuel industry is expected to accelerate due to the reorganization of major oil companies. That said, we believe the liberalization of electricity and gas and environmental regulations such as IMO* will lead to increased opportunities for new business development utilizing the business base and customer base we have cultivated thus far.

*New low-carbon regulations for ship fuels (changed from 3.5% to 0.5% sulfuric content for ship fuels) from the International Maritime Organization to take effect in 2020.

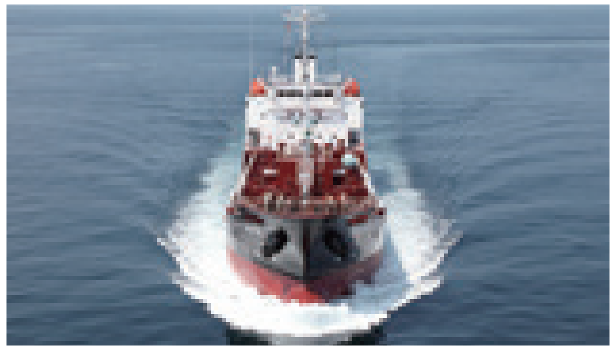
Itochu Enex Group's sales of gasoline and number of service stations



Medium- to long-term ideal profile

Supporting community life and the lifestyle base

The division is working to expand services rooted in community life and to develop businesses supporting industry from the base. We will quickly and appropriately respond to the nature of diversifying products and services and carefully respond to regional needs. Furthermore, while flexibly responding to changes in the industry environment, including the shift to IT, reorganization of major oil companies, and IMO regulations, we aim to create a divisional system that can evolve without fearing change.



Fiscal 2017 review

Withdrawing from unprofitable CS and promoting new business

[Life Energy field]

In the CS-related[*1] business, we continued to introduce our new POS system at affiliated CS sites and used a shared loyalty points system to exchange customers with companies in other sectors. The number of Car-Life Stations in the Itochu Enex Group as of March 31, 2018 was 1,812, marking a net decrease of 76 stations from the end of the previous fiscal year due to planned withdrawal of unprofitable stations.

In the automobile-related business, ENEXAUTO CO., LTD. started operating the Itsumo Rent-a-Car business under a new brand, Carlife Stadium car rentals in April. We strive to improve the quality of vehicles and sales services for customers to expand the functions of the car rental network, while also working to attract more customers through web-based promotions and customer transfers from other companies.

[Industrial Energy field]

The asphalt sales business was strong, recording a year-on-year increase in sales. In the AdBlue[*2] sales business, we are expanding our sales channels such as exports to Singapore and sales for ships.

In the Industrial Energy sales business, in addition to existing products, we are providing new value by proposing new products starting with sales of GTL[*3], a diesel replacement fuel made with natural gas as the raw material. In the marine fuel sales business, we deployed our new fuel supply ship at Oita Port in November, giving the business a nationwide fleet of eight supply ships. Furthermore, we began operating a lubricant oil supply ship in Seto Inland Sea.

In addition, we also focus on building the environmental and recycling-related business as a new business base. In the fly ash business[*4], which recycles and sells coal ash discharged from the Itochu Enex Group's thermal power plants, KANOU FA CO., LTD. started full-scale operations in November and has been promoting business expansion. Moreover, the slop and oil recycling business, which recycles and sells waste oil recovered from ships, is building a track record and is promoting expansion of the business.

Topics

■Results of structural reforms including withdrawing from unprofitable CS

Number of affiliated CS

1,888 ⇒ 1,812 (decrease of 76 stations year on year)

■Rebrand from Itsumo Rent-a-Car to Carlife Stadium car rentals completed

Searching on Carlife Stadium

■Established a manufacturing and sales company for products recycled from coal ash

"KANOU FA CO., LTD." Joint investment by three companies: NICHIYUU CO., LTD. 31%, Kanokosan Co., Ltd. 20%, Itochu Enex Co., Ltd. 49%.

*1 Car-Life Stations: Car-Life Stations are service stations offering multiple services provided by the Company.
*2 AdBlue is a high-grade urea solution used in SCR systems, which detoxifies nitrogen compounds (NOx) contained in exhaust gases of diesel vehicles.
*3 GTL is the acronym of Gas to Liquid technology, which is used to convert natural gas to gasoline, kerosene, diesel and other fuels. GTL is a method of producing environmentally friendly fuel that contains almost no sulfur or metals, etc.
*4 Fly ash business: The fly ash business recovers and processes fly ash (a type of coal ash discharged from coal-fired thermal power plants). The processed fly ash is then reused as a roadbed material for asphalt road surfacing and other applications.

Fiscal 2018 initiatives

Affiliated CS chain business (BtoBtoC)

●Optimizing sites and strengthening the sales network
●Diversifying products and services (electricity and automobile-related business, etc.)
●Clarifying the new CS vision (regionally focused one-stop businesses, etc.)

Asphalt, marine fuel, industrial energy, and terminal, etc. business (BtoB)

●Promoting the environmental recycling business (fly ash, slop and recycled oil, PCB processing and mediation, etc.))
●Appropriate operations and enhanced capabilities of assets including terminals and ships
●Responding to changes in the market from factors including IMO regulations, etc.

Other overall

●Sharing customer bases and promoting regional strategies through organizational integration
●Creating the means of responding to the accelerating shift in society to IT, and streamlining the overall operational flow

Life & Industrial Energy Division overview

Business domains	Contributing to life and energy in communities from petroleum products through the automotive, electric power, and industrial fields
Main products and services	Gasoline, kerosene, diesel oil, fuel oil, LP gas, electricity, automotive, car rental, living and automotive products and services, AdBlue, asphalt, marine fuel, import/export of petroleum products, terminal tank rental, recycling of fly ash, recovery and recycling of slop
Main customers	Approx. 1,800 affiliated CS sites, 3,500 corporate business sites, domestic road companies, sea shippers, public agencies
Forms of business	Retail and wholesale sales
Overseas market	Guam, Palau

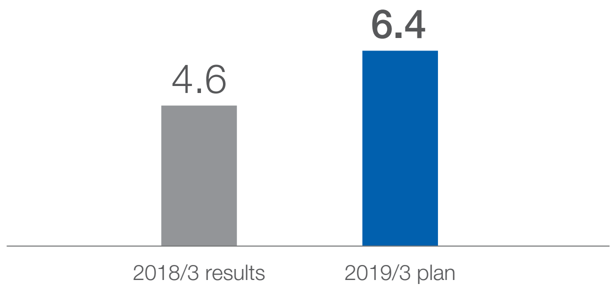
Business divisions

Power & Utility Division

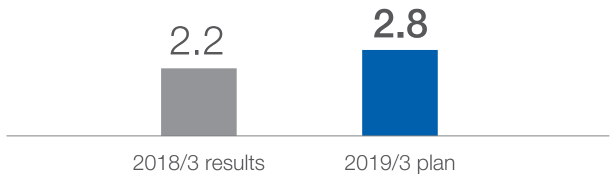
We operate electric power-related and heat supply businesses that deliver energy efficiency, comfort and economic benefits.

Chief Operating Officer, Power & Utility Group and
Chief Operating Officer, Power & Utility Division
Masahiko Takasaka

Profit from operating activities (billions of yen)

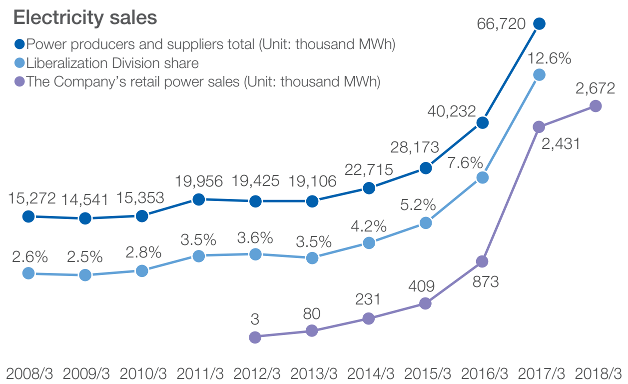


Net profit attributable to Itochu Enex's shareholders (billions of yen)



The market environment

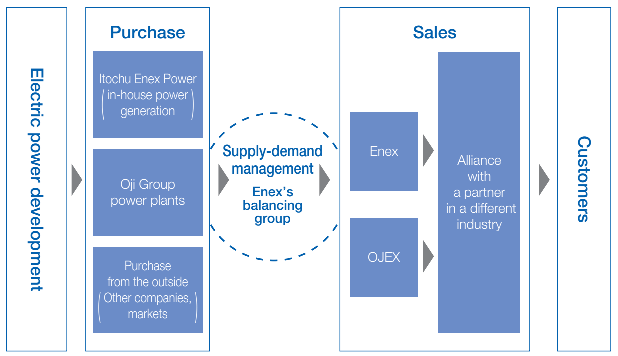
There is a harsh competitive environment in the electric power retail market due to companies from different industries entering the market, major power companies playing catch up, and continuous changes in the electric power business system. Meanwhile, as demonstrated by the entry into force of the Paris Accord and increasing focus on ESG investment, energy businesses must simultaneously pursue not only economic benefits but also environmental benefits. Japan's Strategic Energy Plan approved by the cabinet stipulates making renewable energy the main power source by 2030, accounting for 20–24% of total energy production. Against this backdrop, creating a business model that responds to the dynamically changing market environment and diversifying needs of members of local communities is growing even more important.



Medium- to long-term ideal profile

Creating a structure that can respond to more diverse needs, from power generation to sales

The division has conducted business activities aimed at "becoming a one-of-a-kind presence that provides new services through electric power and heat" using the strength of our unified system from power generation through sales. Going forward as well, in the power generation field, we will pursue the balance of environmental benefits and economic benefits by strengthening renewable energy business incorporating financial solutions. Furthermore, in the sales field, together with our regional business partners with strong customer bases, we will provide services rooted in the local community such as new services and integrated energy services combining power and heat incorporating digital technologies and contribute to local development.



Fiscal 2017 review

Implemented collaborations with other industries, launched ESP business[*1]

[Electric power business]

Electricity sales volume and profits in the electricity sales field increased from the previous fiscal year, led by the Company and Oji-Itochu Enex power retailing Co., Ltd., reflecting growth in electricity sales to business users and households and closer cooperation for capabilities in electricity supply and demand operations, in addition to the diversification strategy of power source supplies, although margins compressed following the steep rise in wholesale power market prices due to a harsh winter and other factors. In this field, ENEX LIFE SERVICE CO., LTD. will lead efforts to form alliances with companies that have strong customer bases in local areas and companies in other sectors, in order to promote investigations of new value proposals for households and small companies. We launched a collaboration business with electricity in partnership with Bay Communications Inc. and MIYAZAKI CABLE TV NETWORK, which run cable television businesses.

In the power generation field, total power generation increased from the previous fiscal year, due to the start of operations at a new thermal power plant in October 2017, but profit decreased year on year due to factors including the nonrecurrence of a gain on sales as a result of the sale of wind power generation facilities for the purpose of replacing business assets, which was recognized in the previous year.

Topics

■Retail power sales

2,431GWh ⇒ 2,672GWh (up10% year on year)

■Business alliances

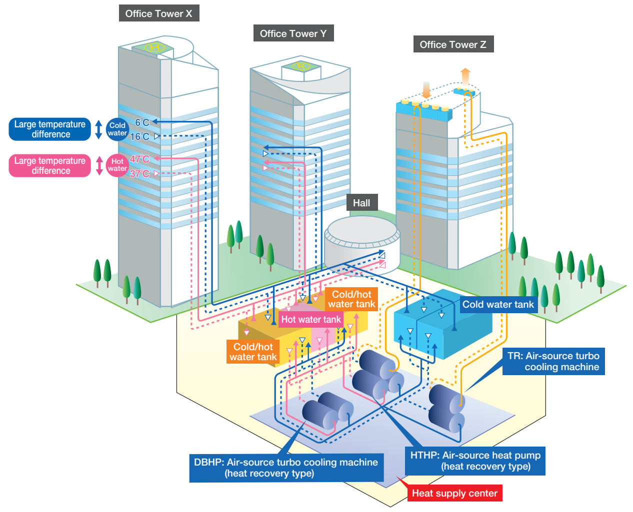
Established The Reliance Energy Okinawa, Incorporated as a joint venture of Tokyo Toshi Service, The Okinawa Electric Power Company and OSAKA GAS

[Heat supply business]

Demand for heat varied due to fluctuations in average temperatures during the fiscal year, but overall demand for heat increased year on year due to the impact of GINZA SIX[*2], to which supplies started in April. In addition, we established The Reliance Energy Okinawa, Incorporated in December 2017 as a joint venture of The Okinawa Electric Power Company, Incorporated, OSAKA GAS, and Tokyo Toshi Service CO., LTD., one of our group companies, to provide heat supply and other ESP business in the Okinawa area.

*1 Service that owns electric and heat source facilities, etc. and supplies cold and hot air-conditioning water, hot water for hot-water supply, steam and others on behalf of customers in the use of energy.

*2 GINZA SIX is a multipurpose commercial facility located in Ginza district, Chuo-ku, Tokyo. Group company Tokyo Toshi Service CO., LTD. provides district heating services to the facility.



District heat supply business image
(Harumi Island district)

Fiscal 2018 initiatives

Electricity sales business: strengthening regional specialization and sales portfolio improvement

- BtoB: Priority acquisition of small-scale customers considering regional characteristics and industries, etc.
- BtoBtoC: Aggressively promoting "collaboration businesses with other industries" considering areas and industries, etc.
- Additional services: Strengthening the development of an additional service model compatible with electricity

Power generation business

- Improving our portfolio of power sources aiming for stable power supply and reduced environmental impact
- Promoting investment in renewable energy power generation facilities
  Fusing the Itochu Enex Group's operational knowhow in various power plants with financial solutions, we are strengthening our development of renewable energy power generation

Heat supply business

- Through The Reliance Energy Okinawa, we are strengthening our development of a comprehensive energy services business in the Okinawa area
- Strengthening initiatives in our comprehensive energy services business centered on heat and electricity supply services

Power & Utility Division overview

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, heat supply, comprehensive energy services
Main customers	Corporations, individuals, power companies, office buildings and business complex
Forms of business	Vertically integrated model based on power generation, demand supply, and sales

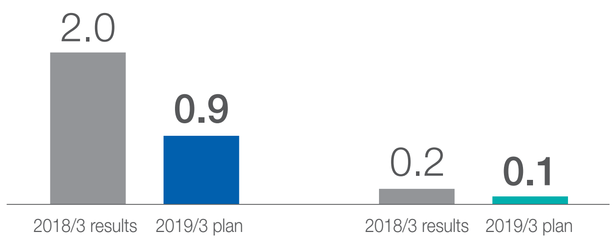
Business divisions

Mobility Life Department

Guided by the keywords of the quaternary industrial revolution, the environment, and new technology, we aim to create mobility and life services for a more prosperous local community base.

Chief Operating Officer, Power & Utility Group and
Executive Advisory Officer for Mobility Life Department
Masahiko Takasaka

■Profit from operating activities (billions of yen)
■Net profit attributable to Itochu Enex's shareholders (billions of yen)



*The above results are for the new business structure in fiscal 2018 (car dealer business and biodiesel production business in the US).

Fiscal 2017 review

In the car dealer business, unit sales in the third quarter declined sharply compared to the same period a year earlier due to the impacts of improper conduct in final inspections for vehicles by Nissan Motor Co., Ltd., which came to light in September. However, unit sales in the fourth quarter recovered and exceeded unit sales in the same period a year earlier due to the introduction of new car models. Combined with strong sales in the first half of the fiscal year, total unit sales for the full year exceeded that in the previous year.

Nissan Osaka Sales fiscal 2017 results (consolidated)

		Vehicle unit sales (year on year)	
Total trading transactions	¥105.3 billion (up ¥4.2 billion year on year)		
Profit from operating activities	¥2.1 billion (down ¥0.3 billion year on year)	New vehicles	29,000 (up 2,000 vehicles)
Net profit attributable to Itochu Enex's shareholders (included)	¥0.6 billion (down ¥0.1 billion year on year)	Used vehicles	25,000 vehicles (up 1,000 vehicles)

Fiscal 2018 initiatives

Automobile-based business

- Sharing Nissan Osaka's customer base and evaluating new automobile-related businesses (Telematics business, etc.)
- Carsharing business evaluation

Social and infrastructure-based business

- Evaluating new social and infrastructure businesses aimed at the customer base of Oji-Itochu Enex power retailing Co., Ltd. and ENEX LIFE SERVICE CO., LTD.
- Creating new contents and evaluating businesses that contribute to building regional infrastructure (Agricultural IoT, HEMS, etc.)

Environmentally based business

- US biofuel plant begins full-fledged operations
- Provided raw materials (waste cooking oil) to Euglena bio jet fuel demonstration plant

Mobility Life Department overview

Business domains	Car dealing, next-generation biofuel, and the creation of new services connecting to the environment, society and lifestyle
Main products and services	Vehicles handled by Nissan Osaka Sales
Joint Participation	Next-generation biodiesel manufacturing business (US)
Project	Euglena domestic bio jet fuel demonstration project

Main Group Companies (as of August 1, 2018)

Home-Life Division

Name	Paid-in Capital (million yen)	Controlling share (%)
ENEARC Co.,Ltd.	1,040.0	50.0
ITOCHU ENEX HOME-LIFE HOKKAIDO CO.,LTD.	43.0	100.0
ITOCHU ENEX HOME-LIFE TOHOKU CO.,LTD.	80.0	100.0
ITOCHU ENEX HOME-LIFE NISHI-NIHON CO.,LTD.	450.0	100.0
ECORE CO.,LTD.	480.0	51.0
ITOCHU INDUSTRIAL GAS CO.,LTD.	115.0	100.0
J-Cylinder Service Co.,Ltd.	10.0	100.0
PT. ITC ENEX INDONESIA	676.0	100.0

Life & Industrial Energy Division

Name	Paid-in Capital (million yen)	Controlling share (%)
KOKURA ENTERPRISE ENERGY CO.,LTD.	400.0	100.0
ENEX FLEET CO.,LTD.	100.0	100.0
ENEXAUTO CO.,LTD.	100.0	100.0
ENEX PETROLEUM SALES HIGASHI-NIHON CO.,LTD.	57.0	100.0
ENEX PETROLEUM SALES NISHI-NIHON CO.,LTD.	100.0	100.0
KYUSHU ENERGY CO.,LTD.	100.0	75.0

Power & Utility Division

Name	Paid-in Capital (million yen)	Controlling share (%)
ENEX Electric Power Co., Ltd.	100.0	100.0
Tokyo Toshi Service CO.,LTD.	400.0	66.6
ENEX LIFE SERVICE CO., LTD.	100.0	100.0
Oji-Itochu Enex power retailing Co.,Ltd.	100.0	60.0

Mobility Life Department

Name	Paid-in Capital (million yen)	Controlling share (%)
OSAKA CAR LIFE GROUP CO., LTD.	310.0	52.0

Exclusive discussion between two Outside Directors

Continuously evolving corporate governance aiming for sustainable growth and improvement in the corporate value

Two Outside Directors talked together about the operation of corporate governance of the Itochu Enex Group.

Outside Director / Independent
Ichiro Saeki

Outside Director / Independent
Seiichi Shimbo

Having unrestricted discussions based on proactive information disclosure

Shimbo: During my term as Outside Director, which is now into the fourth year, I think the disclosure of management information has been improving steadily. In addition to the explanations we receive at monthly debriefing sessions regarding items to be discussed at the Management Advisory Conference and examination agendas for the Board of Directors, since June 2018, we have been provided with a tablet PC, which allows us to additionally access the intranet and a website exclusive for company officers via the internet enabling us easy access to various information even from our homes.
Saeki: As you said, I believe the information disclosure is at a satisfactory level. Because the Company is a company with Audit & Supervisory Board, the Board of Directors assumes a heavy burden and the information that officers are required to be familiar with is wide-ranging. Nevertheless, in addition to receiving preliminary explanations, we also receive a wealth of materials by email and other means. The Company has been proactively promoting on-site inspections by officers. I, together with Mr. Shimbo, inspected Sendai Power Station last year. This year, we are planning to visit the heat supply plants of Tokyo Toshi Service and a hydroelectric power plant held in Niigata Prefecture. After all, opportunities to look at sites and get employees' firsthand views are important. There is a big difference between reading information on documents and directly hearing opinions, and that is why such inspections are so important.
Shimbo: From this year, we have started holding informal meetings with the General Managers of the Corporate Administration Divisions to hear about problems in the Company. Although we have just launched this effort, it is definitely something we would like to continue.
Saeki: Absolutely. I also appreciate the management of the Board of Directors. You can classify members of the Board of Directors into three groups: Executive Directors, Outside Directors and Audit & Supervisory Board Members. All the officers speak freely from their respective viewpoints, and there are no problems that could threaten the independence between the business management and the Board of Directors.
Shimbo: Firstly, the Company has a free-spirited, open and transparent corporate culture. In addition, practical and constructive discussions are conducted by the Board of Directors under the outstanding, and fair leadership of its chairperson, President Okada. Also, when I go to the office, I also hold a meeting with the Standing Audit & Supervisory Board Members who are outside officers to exchange honest views and develop a common understanding of the issues. I think we have formed good collaborative relationships.

Strengthening the supervisory function and supporting decision-making for growth

Shimbo: As the scope of operations has expanded over the last five years, management has been steadily steering the Company forward while carrying out thorough discussions and taking sound risks.
Saeki: I believe that the intention behind corporate governance reforms, which have attracted attention in recent years, is for each company to strengthen its "earning power" for shareholders. Since globalization is also intensifying in the energy field, businesses cannot be operated satisfactorily with only a domestically oriented mindset. As a consequence of globalism, there is an increasing level of business execution that involves risk-taking, and executive officers are shouldering heavy responsibilities. For that reason, it is important that as outside officers, we provide appropriate advice and recommendations based on knowledge accumulated outside the Company so that business executors make reasonable and objective decisions.
Shimbo: In that sense, I think the Governance Committee, which was set up as an advisory body for the Board of Directors in 2015, has played prominent roles. One such role is ensuring compliance with the Corporate Governance Code. The current full compliance with the code is exactly a result of exhaustive discussions by the Governance Committee on what is appropriate to the Company and how it should respond. Other than this effort, the committee also discussed various challenges and contributed to evolution of the Company's corporate governance through reports to and discussions with the Board of Directors. To further enhance this function, the operating structure was enhanced in June 2018 by increasing the number of members to five, of which four members are independent, outside officers. I believe this will allow the Company's use of "outside scrutiny" to become better than ever.
Saeki: That is quite right. As a member of the Governance Committee, I too will properly fulfill my duties.

Expecting the appointment of female officers and cooperation with executive officers

Shimbo: For the evolution of the Company's corporate governance, I am hopeful there will be more women appointed as officers, and I particularly expect the number of female Directors to increase. Since the energy sector was originally a male-centered society, the Company has not developed such female talent. However, as the Company positions environment and life services as important growth fields, it is essential to incorporate the views, sensibility and values of women into management. If no well-qualified person is found in the Company, the Company also has the option of inviting someone from outside.
Saeki: I am hopeful that the quality of cooperation with outside officers will be enhanced further. Although the number of outside officers has been growing recently, I do not think this trend alone will improve the management. The number of outside officers is not the most important thing. What matters is to foster a quality cooperative relationship where outside officers represent the interests of shareholders and express their candid opinions on the management, and executive officers lend their ear to those opinions. While the economy is becoming uncertain on a global basis, the market in the Company's business fields is shrinking with the rapid aging and very low birthrate in Japan. In order for the Company to take on challenges for growth in this environment, I will strive to achieve fruitful cooperation with executive officers, making use of knowledge cultivated in my career as a bank officer, lawyer and faculty member.
Shimbo: Currently, the Company aggressively implements returns to shareholders, setting the dividend payout ratio at 40%. However, from now on, we will need to steer the management while balancing revenue, investments and dividends under a long-term vision. I expect all employees in the Itochu Enex Group to work on their tasks as a team while growing as "The best partner for life and society" in a sustainable way and increasing the corporate value.

Improving the quality of cooperation with executive officers, making use of Mr. Saeki's experience in business, legal affairs and education

Supporting sound risk taking and connecting the growth strategy to improvement in returns to shareholders

Directors, Audit & Supervisory Board Members and Executive Officers

Board of Directors' Members

Audit & Supervisory Board's Members

Directors

1.
Representative Director, President and Chief Executive Officer, Itochu Enex Co., Ltd.

Kenji Okada

1974 Joined ITOCHU Corporation
2012 Representative Director, President and Chief Executive Officer

Number of the Company's shares owned 95,800 shares

Board of Directors Meeting Attendance: 12

Significant concurrent positions outside the Company: Outside Director, Cosmos Initia Co., Ltd.

2.
Director and Senior Managing Officer

Masahiko Takasaka

Chief Operating Officer, Power & Utility Group, Chief Operating Officer, Power & Utility Division, and Executive Advisory Officer for Mobility Life Department, Itochu Enex Co., Ltd.

1980 Joined ITOCHU Corporation
2018 Director and Senior Managing Officer

Number of the Company's shares owned 11,300 shares

Board of Directors Meeting Attendance: 12

Significant concurrent positions outside the Company: Director, Osaka Car Life Group Co., Ltd.
Director, Nissan Osaka Sales Co., Ltd.

3.
Director and Managing Officer
New election

Kyosuke Wakamatsu

Chief Operating Officer for Energy & Logistics Group, Chief Operating Officer for Home-Life Division, Itochu Enex Co., Ltd.

1985 Joined Itochu Enex Co., Ltd.
2018 Director, Itochu Enex Co., Ltd.

Number of the Company's shares owned 14,200 shares

Board of Directors Meeting Attendance: –

4.
Director and Executive Officer
New election

Tatsuro Utsumi

Chief Compliance Officer, General Manager for Corporate Planning Department, Itochu Enex Co., Ltd.

1987 Joined Itochu Enex Co., Ltd
2018 Director, Itochu Enex Co., Ltd.

Number of the Company's shares owned 13,100 shares

Board of Directors Meeting Attendance: –

5.
Director and Executive Officer
New election

Atsushi Katsu

Chief Financial Officer, Chief Information Officer, and Chief Operating Officer, Corporate Administration Division

1983 Joined ITOCHU Corporation
2018 Director, Itochu Enex Co., Ltd.

Number of the Company's shares owned - shares

Board of Directors Meeting Attendance: –

6.
Director
Outside Independent

Seiichi Shimbo

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

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

Board of Directors Meeting Attendance: 12

Significant concurrent positions outside the Company: Outside Director, Carlit Holdings Co., Ltd.

7.
Director
Outside Independent

Ichiro Saeki

1975 Joined The Nippon Fudosan Bank
1995 Registered with the Daini Tokyo Bar Association as an attorney-at-law
2004 Established Shi-Go-Roku Law Office as Representative Attorney
2016 Outside Director, Itochu Enex Co., Ltd.

Number of the Company's shares owned 4,100 shares

Board of Directors Meeting Attendance: 12

Significant concurrent positions outside the Company: Representative Attorney, Shi-Go-Roku Law Office
Professor, Law School, Aoyama Gakuin University

8.
Director

Hisato Okubo

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

Number of the Company's shares owned - shares

Board of Directors Meeting Attendance: 8

Significant concurrent positions outside the Company: Executive Officer, Chief Operating Officer for Energy Division, ITOCHU Corporation
Director, Sakhalin Oil and Gas Development Co., Ltd.

Audit & Supervisory Board Members

9.
Standing Audit & Supervisory Board Member
Outside Independent

Yuji Moritsuka

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

Number of the Company's shares owned 6700

Board of Directors Meeting Attendance: 12

Significant concurrent positions outsaide the Company: Audit & Supeervisory Board Member of OSAKA CAR LIFE GROUP CO., LTD., Nissan Osaka Sales CO., LTD., and ECORE CO.,LTD.

10.
Standing Audit & Supervisory Board Member
New election Outside

Toyohiro Sunayama

1983 Joined ITOCHU Corporation
2018 Standing Audit & Supervisory Board Member, Itochu Enex Co., Ltd.

Number of the Company's shares owned : –

Board of Directors Meeting Attendance: –

Significant concurrent positions outsaide the Company: Audit & Supeervisory Board Member of Tokyo Toshi Service CO., LTD., ENEX Electric Power CO., LTD., ENEX FLEET CO., LTD.

11.
Audit & Supervisory Board Member

Satoshi Nakajima

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

Number of the Company's shares owned : –

Board of Directors Meeting Attendance: 12

Significant concurrent positions outsaide the Company:Chief Financial Officer for Energy & Chemicals Company, ITOCHU Corporation
Audit & Supervisory Board Member, C.I. TAKIRON Corporation.

12.
Audit & Supervisory Board Member
Outside Independent

Shozo Tokuda

1981 Joined Asahi & Co.
1985 Registered as Certified Public Accountant
2017 Audit & Supervisory Board Member, Itochu Enex Co., Ltd.

Number of the Company's shares owned : –

Board of Directors Meeting Attendance: 7

Significant concurrent positions outsaide the Company: Audit & Supervisory Board Member (outside), Mitsui Chemicals, Inc.

Executive Officers

Managing Officer
Keiichi Matsuzuka
Deputy Chief Operating Officer, Power & Utility Group

Executive Officer
Toshiyuki Tsuruoka
Deputy Chief Operating Officer, Life & Industrial Energy Division, Energy & Logistics Group

Executive Officer
Naohiro Matsuzawa
General Manager, Mobility Life Department

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

Executive Officer
Toshihisa Fuse
Chief Operating Officer, Life & Industrial Energy Division, Energy & Logistics Group

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

Executive Officer
Shigeru Kondo
President, and Chief Executive Officer, Itochu Industrial Gas Co., Ltd.

Executive Officer
Tsukasa Motegi
President, and Chief Executive Officer, Enex Fleet Co., Ltd.

*The Number of the Company's shares owned is stated, as of the end of March 2018.
*Independent: Director / Audit & Supervisory Board Member registered at the Tokyo Stock Exchange as an independent officer.
*This system is stated, as of August 2018.
*Executive Officers are not the members of Board of Directors and Audit & Supervisory Board.
*Board of Directors Meeting Attendance is out of the 12 attendance times as of FY 2017.
(As long as Mr.Okubo and Mr.Tokuda, 8 attendance times as of FY 2017.)

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 Japan’s Corporate Governance Code

The Company agrees with the spirit of “growth-oriented governance” called for in the Tokyo Stock Exchange, Inc.’s Corporate Governance Code and its efforts regarding governance are carried out with the aim of demonstrating sound leadership by senior managers and making transparent and fair decision making. For details on the Company’s response to the Corporate Governance Code, please see the Company’s website (https://www.itcenex.com/english/governance/20180620/180620e.pdf).

Response to the June 2018 revisions to the Corporate Governance Code

We plan to release details on the Company’s response to the June 2018 revisions to the Corporate Governance Code in the revised version of the Company’s Corporate Governance Report to be issued by December 2018.

Corporate governance system

The Company has the Board of Directors and udit & 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 Dir ctors (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, bear the duties of loyalty and of due care as prudent managers in their performance of duties, and they 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 for IR operations (CFO) 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 https://www.itcenex.com/english/ir/policy/basicpolicy/

Board of Directors

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.

Enhancement of the functions of Governance Committee

To strengthen management supervision, the Company established the Governance Committee in 2015 as an advisory body for the Board of Directors and has held meetings about six times per year since that time. This Committee consists primarily of Outside Directors and Outside Audit & Supervisory Board Members and conducts deliberations ahead of the Board of Directors on material matters on governance such as nominations and remuneration of officers, serving an important role in reporting deliberation results to the Board of Directors. Through such measures, the Company believes that it has secured additional transparency with respect to decision-making on important corporate governance issues.

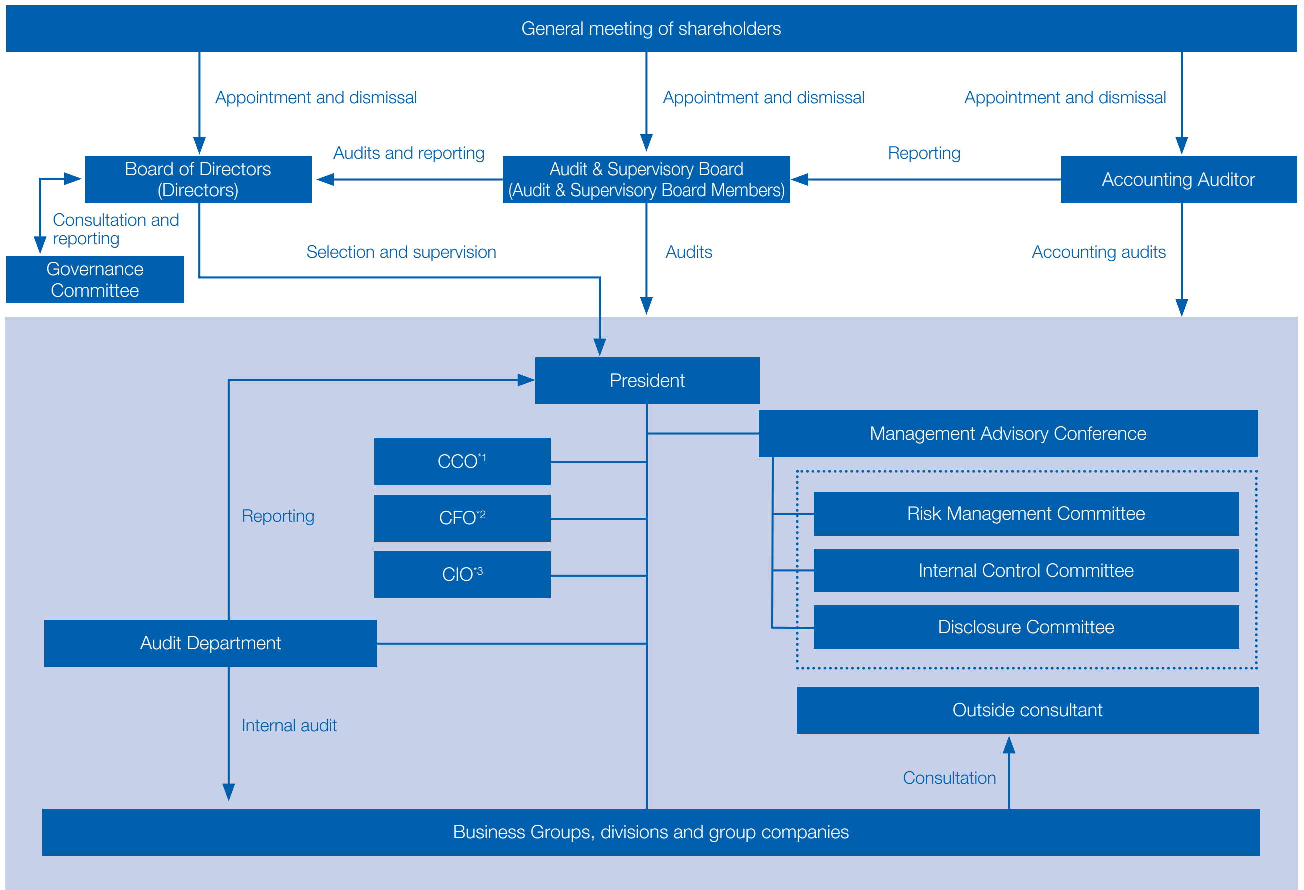
Changes in management structure of Governance Committee

	After change (from the 58th ordinary general meeting of shareholders)	Before change
Chair	Outside Audit & Supervisory Board Members (independent officer)	Internal Directors
Composition	Outside Audit & Supervisory Board Members (independent officer) 2 Independent Outside Directors 2 Internal Directors 1 Total 5	Outside Audit & Supervisory Board Members (independent officer) 1 Independent Outside Directors 1 Internal Directors 2 Total 4

Roles of Governance Committee

(1) Verification of policies and proposals for nomination of individual candidates for Directors and Audit & Supervisory Board Members
(2) What the remuneration system for officers should be (policy on the determination of remuneration and the appropriateness of remuneration levels, etc.)
(3) Analysis and evaluation of the effectiveness of the Board of Directors as a whole
(4) Other important matters regarding governance

Corporate governance system



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

Corporate Governance

Management Advisory Conference and committees

The Company has established the Management Advisory Conference and several committees 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.

Management Advisory Conference	Discussion on material matters concerning the Company's overall management policy and business administration as an advisory body for the President
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

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 more than 2% 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.

Changes in measures to strengthen corporate governance

2015	Establishment of Governance Committee
2015	Election of one (1) Independent Outside Director
2016	Election of two (2) Independent Outside Directors
2017	Introduction of performance-linked stock-based remuneration plan
2018	Changed structure of Governance Committee to center on outside officers

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 FY2017 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 2017 and March 2018 (a total of 12 meetings)

Evaluator

Members of the Board of Directors as of April 2018

Outline of implementation

A questionnaire with questions on the composition of the Board of Directors (four items), the operation of the Board of Directors (nine items), frameworks supporting the Board of Directors, dialogues with shareholders (five items), and frameworks for fulfilling roles and duties (two new items) 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

Effectiveness of the Board of Directors is generally positive.

Operation in FY2017 was generally appropriate overall, and the evaluation indicated that the Board of Directors as a whole has secured effectiveness. Regarding the operation of the Board of Directors, while presentations from presenters showed improvement over the previous year, there were some indications that deliberations on broad direction, such as corporate strategy, and officer training, etc., were areas that required improvement. The Company will draw on these evaluation results to seek to further improve the oversight and decision-making functions of the Board of Directors.

Policies and procedures on determination of remuneration for Directors

Remuneration for Directors excluding Outside Directors and Non-executive Directors is composed of monthly remuneration, bonuses, and performance-linked stock-based remuneration. Monthly remuneration and bonuses are appropriately determined based on predefined payment standards in consideration of factors such as short-term business performance and contributions to the Company, with foundations in standardized amounts according to each position. Amounts of stock-based remuneration are determined based on net profit attributable to Itochu Enex's shareholders (consolidated) for a predefined performance evaluation period. Outside Directors and Non-executive Directors receive payment only of monthly remuneration, and do not receive bonuses nor stock-based remuneration.

Unit: million yen

	Total remuneration	Total remuneration, etc., by type			Number of applicable officers
		Basic remuneration	Bonus	Stock-based remuneration	
Directors (excluding Outside Directors)	272	175	94	3	6
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Member)	4	4	–	–	1
Outside officers	78	78	–	–	6

Additionally, remuneration for Audit & Supervisory Board Members is determined through deliberation of the Audit & Supervisory Board (Members), and there is no payment of bonuses nor stock-based remuneration. Director remuneration for FY2017 was as follows.

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:
https://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.

Proper information disclosure

Basic policy for IR activities

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, 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.”

Principles in IR activities

Timeliness, Fairness, Accuracy, Clarity, 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 the Tokyo Stock Exchange	Timely disclosure information Decisions, events and other information required by the 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 the 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.

Complying fair disclosure rule

Although the Financial Services Agency’s fair disclosure rule (fair information disclosure by listed companies) came into effect in April 2018, the Company has historically made fair and timely disclosure of various information based on its basic policies for IR activities. Moving forward, the Company will swiftly disclose unannounced material facts, material information, and corporate relationship information defined in insider trading regulations, the fair disclosure rule, and corporate relationship information regulations should such information be disclosed to transaction partners, etc.

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.

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.

Handling of insider information

The Company adheres to the fundamental principle of not disclosing information to any third party until disclosure is made to the public, and takes 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.

Risk management

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. 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 Kyushu Branch (Fukuoka) and Chushikoku Branch (Hiroshima).

Response to heavy rain event in Western Japan

Heavy rains that occurred at various locations in Western Japan in July 2018 caused the Group’s business locations, sales partners, and employees in these areas to suffer great damage. The Company enacted BCP immediately after the disaster occurred, beginning confirmation on the safety of employees active in the affected areas, working to determine disaster conditions at each facility and initiate repairs, in addition to providing support to customers in affected areas. Response initiatives included recovery of gas tanks that had been washed away by overflowing rivers, providing repairs for customers with damaged water heaters, and in areas where the water supply had been cut off, swift deliveries for drinking water were made via the group network. In hopes of a recovery as early as possible, 5.03 million yen in donations were collected across the Group (5 million yen donation to the Japan Platform and 30,000 yen donation to the Japanese Red Cross Society), and donations collected from employees were given to the Japan Platform. Additionally, a portion of directly-managed CSs were provided as temporary storage locations for relief supplies.

Safe and secure facilities in preparation of disaster risk

By learning lessons from various disasters, the Company is strengthening its facilities to protect safety and security of energy.

◎Disaster response stations to secure energy lifelines in the event of disaster

◎Kizuna Net Centers to enable handle energy distribution in the event of disaster

◎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

◎Fuel stations with disaster-response functions designated by the Japanese government as core filling stations for oil and gas in the event of large-scale disaster

◎Use of heat storage tanks in district heat supply as community tanks in the event of disaster

Strengthening IT security

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

Basic Policy for Information Management of the Group

Itochu Enex Co., Ltd. and its group companies (hereinafter collectively the “Group”) recognize appropriate management of information as an important business issue, and while protecting information assets from various threats surrounding the Group, efforts are made to maintain and improve the Group’s information management systems via appropriate handling of information assets.

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

Please visit https://www.itcenex.com/english/privacy/ for details on policies regarding measures in personal information protection.

Revised in January 1, 2016

CSR and compliance

Basic policy of CSR and compliance

We deploy various business activities, mainly on the energy distribution field.
And, we regard rewarding the expectations of all our stakeholders, which are customer (consumer)/ business partner/supplier/community/ shareholder/investor/employee/environment, as an important management task.
To realize the task, under our corporate philosophy "The best partner for life and society", we are striving to penetrate and develop social responsibility as our whole group, through the understanding and compliance of all employees with regard to our original code of conduct, declaration of the Group Code of Conduct.

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

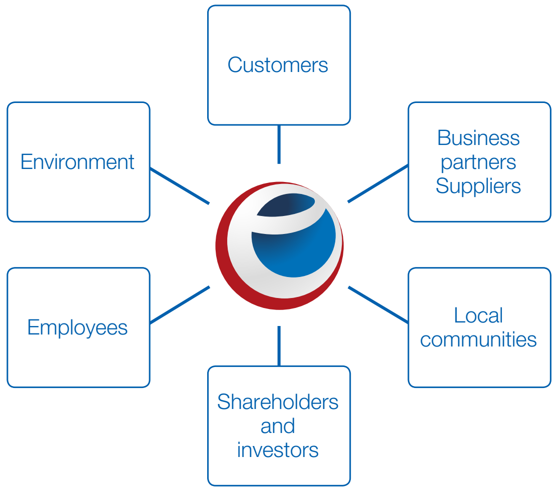
We strive to improve our corporate performance and stably distribute profits to our shareholders. We clearly communicate with our shareholders and investors by disclosing adequate information in a timely manner, and endeavor to enhance shareholder returns by conducting active investor and public relations 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. And, in compliance with the drinking alcohol rules in our company, we take care to drink moderately, always care about health management and carry out operations with good physical condition.

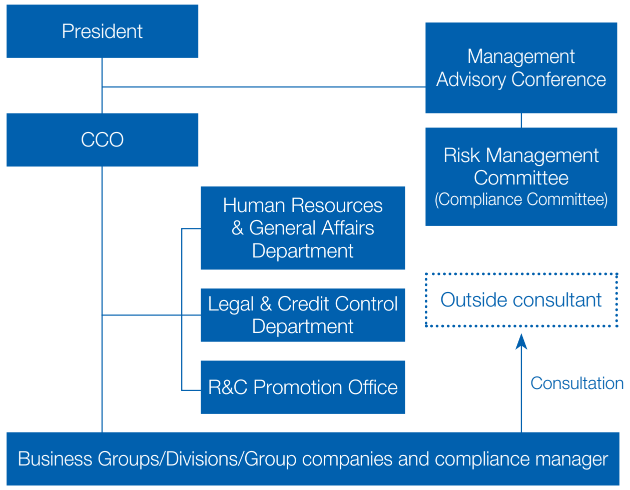
Together with stakeholders

By strengthening connections with all stakeholders and sincerely lending an ear to their voices, the Group will fulfill its social responsibility.



CSR and Compliance systems

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*1 and personnel*2 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.



*1: CSR and compliance manager
CSR and compliance managers of ITOCHU ENEX (hereinafter "Enex") shall be appointed by the CCO, with one person from each division. Additionally, in principle at group companies, presidents at companies where Enex has an ownership of over 50% shall serve as CSR and compliance managers, also supervising subsidiaries for which said group company has an ownership of over 50%.

*2: CSR and compliance personnel
CSR and compliance personnel shall be appointed by CSR and compliance managers, promoting awareness regarding CSR and compliance, serving as the point of contact when troubles accidents, scandals, or claims occur, and working in environmental preservation and soil contamination prevention.

Education and training in CSR and compliance

With the objective of maintaining and making universally known CSR and compliance systems, the Company holds education and training in CSR and compliance for the Group officers and employees on an annual basis. In particular, compliance trainings are held across Japan twice a year, during the first and second halves of the fiscal year.


Training at Enex head office

Education and training activities for CSR and compliance

(1) For the Group employees (collective training, training by organizational level, e-learning training)
(2) For CSR and compliance managers and CSR and compliance personnel
(3) For employees of group companies

Promoting awareness of compliance

To promote awareness of compliance, the Company periodically prepares documents for distribution within the Group and sharing on the internal network with the intent of increasing awareness on compliance.

◎**Compliance Handbooks**
With the corporate philosophy in its mind, the Company works to ensure thorough recognition and awareness of the Code of Conduct, basic policies on compliance, Declaration of the Group Code of Conduct, and commentary on internal rules, laws, and regulations. In cases where the Group employees are faced with difficult decisions, they can refer to this handbook, seek a solution to the problem, think carefully on compliance, achieve correct understanding, and reflect these in their actions.

◎**Compliance program**
An easy to understand description on CSR and compliance promotion activities, including objectives, systems, incident and accident response, and whistleblowing and consulting contact points.

◎**Compliance case studies**
An easy to understand description on examples and response methods for various big and small compliance violations, including improprieties, harassment, labor, claims, legal and regulatory violations, and information leakage.

Itochu Enex Group awareness survey

In the present day, as scandals in areas such as accounting improprieties, embezzlement, harassment, and labor at various companies, organizations, and bodies are on the rise, the Group conducts a compliance awareness survey for officers and employees at group companies with the intent of ascertaining the state of compliance awareness within the Group and preventing the occurrence of misconducts within the Group. These evaluation results are used to create new initiatives and to improve compliance training.

Important challenges of CSR and compliance

Environmental management

In order to realize a low-carbon society and preservation of the local environment, we try to reduce the environmental impact in our own business activities. In the production and the distribution facilities such as petroleum product terminals nationwide, oil and gas reservoirs, gas filling plants, power plants, and other business facilities such as offices, we set annual goals and promoted initiatives to reduce CO_2 emissions, energy conservation and resource conservation , we continuously report the achievement level of the target.

Our environmental Policy voted by CEO

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.

Promoting effective environmental management practices under the environmental ISO

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.

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

Representative Director
Kenji Okada

Organizational framework for environmental management

In April 2018, we began engaging in activities to improve the environment under an organizational framework for environmental management consisting of 2 business groups, 6 divisions, and 19 Itochu Enex Group companies.

President
Management Advisory Conference
CCO
Risk Management Committee
Internal Audit Team
Environmental Management Officer
Environment Administrative Office
Environmental Information Coordinating Committee

MobilityLife Department
Energy & Logistics Group
Power & Utility Group
Divisions under the direct control of the President

Home-Life Division
Planning & Administration Department
Administration Department
Security System Department

Itochu Enex Home-Life Hokkaido Co., Ltd.
Itochu Enex Home-Life Tohoku Co., Ltd.
ENEARC Kanto Co.,Ltd.
ENEARC Chubu Co.,Ltd.
ENEARC Kansai Co.,Ltd.
Itochu Enex Home-Life Nishi-Nihon Co., Ltd.
Itochu Industrial Gas Co., Ltd.

Life & Industrial Energy Division
Planning & Administration Department
Supply Department
Oil Products Trading Department
Asphalt Department
Marine Fuels Department
Hokkaido Branch
Tohoku Branch
Higashi-Nihon Branch
Chubu Branch
Kansai Branch
Chushikoku Branch
Kyushu Branch

Enex Petroleum Sales Higashi-Nihon Co., Ltd.
Enex Petroleum Sales Nishi-Nihon Co., Ltd.
Tohoku Tanku Shoukai Co., Ltd.
Kyushu Energy Co., Ltd.
Enex Fleet Co., Ltd.
Enexauto Co., Ltd.
Etajima Oil Terminal Co., Ltd.
Kokura Enterprise Energy Co., Ltd.

Power & Utility Division
Planning & Administration Department
Administration Department
Power Project Financial Department
Power & Heat Business Development Department
Power Supply & Management Department
Power Sales Department

Enex Electric Power Co., Ltd.
Hofu Energy Service Co., Ltd.
Joetsu Energy Service Co., Ltd.
JEN Tainai Wind Farm Co., Ltd.

Corporate Administration Division
Finance & General Accounting Department
Human Resources & General Affairs Department
IT Planning Department
Legal & Credit Control Department
R&C Promotion Office

Divisions under the direct control of the President
Corporate Planning Department
Audit Department

(As of August 1, 2018)

Measures for environmental improvement activities in the Itochu Enex Group

As an ISO14001 certified business, the Itochu Enex Group works to clarify the environmental improvement activities undertaken throughout the Group and formulates an environmental improvement plan. Under three focal areas stipulated in the Environmental Policy, specific environmental objectives with numerical targets are established in the Home-Life Division, Life & Industrial Energy Division, Power & Utility Division, and Corporate Administration Divisions, with efforts being made throughout the group toward achievement. These environmental improvement plans are revised annually, and in consideration of societal and lifestyle changes and business trends in the Group, efforts are made to ensure that activities are rational and effective.

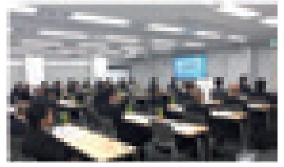
*Environmental improvement plans and performance for FY2017 are provided on page 62.

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. The number of Internal Environmental Auditors trained within the Group for environmental ISO certification during FY2017 was 34 persons.

Thorough implementation of eco-driving 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 CO2 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. While also promoting safe driving practices aimed at zero tolerance toward accidents during transit, these courses support thorough eco-driving efforts by covering such topics as vehicle idling when stopping, fuel-saving driving techniques, and anger management, and they are positively contributing toward CO_2 emission reductions throughout the entire supply chain.



Eco-driving training (Kanto area) held in October 2017

*Achievements in CO2 emissions reduction activities in response to the Act on the Rational Use of Energy during FY2017 are provided on page 63.

Groupwide eco-office activities

In view of the voluntary 1% year-on-year reduction target stipulated by the Act on the Rational Use of Energy, the Itochu Enex Group will work toward the same goal via eco-office activities in FY2018 as well. The state of initiatives at each business location is available in an objective format at all times via the environmental data collection system, which serves to support goal achievement as part of quarterly progress inspections.

Shared across Itochu Enex Group companies

Item		FY2017 results (Vs. FY2016 results)	FY2018 targets
General power		104%	Vs. FY2017 results 99%
Motive power		87%	
Site fuel	City gas	92%	
	LP gas	98%	
	Kerosene	98%	
	Residual oil	95%	
Vehicle fuel	Gasoline	99%	
	Diesel	107%	
	Auto gas	116%	
Copier paper		102%	
Water		89%	

Participation in the Ministry of the Environment's COOL CHOICE

In approval of the COOL CHOICE citizen's movement led by the Ministry of the Environment, which is a climate change campaign aiming for a low-carbon society, the Group promotes energy conservation activities including wearing light clothing in summer, heavy clothing in winter, eco-driving, green purchasing, and turning off unused lighting.

COOL CHOICE

Thermal power plants with reduced environmental burden

The latest environmentally-conscious exhaust gas processing facilities have been installed at Sendai Power Station Co., Ltd., which began operation in 2017, demonstrating the Group's efforts toward reducing its environmental burden. The Group employs a system of control that ensures there are no incidents of exceeding the predetermined exhaust targets, which are stricter than those defined in the Air Pollution Control Act. Concerning wastewater treatment as well, the Group is reducing its effect on the environment with appropriate management methods, alongside countermeasures against noise pollution and vibrations and ensuring that the spread of particulate matter is minimized by storing coal indoors with direct vent systems. Environmental burden measurements are conducted monthly with results posted on the website.

Safety management of industrial waste and preventive measures against soil contamination

The Company has defined group waste management standards and group waste management procedures and ensures thorough compliance with laws and regulations regarding waste. The process involves audits and external ISO evaluations by departments tasked with division oversight, with checks on required documentation and storage locations by processes such as group internal ISO audits. Reasons and countermeasures are sought for points that require improvement with the intent of advance prevention of industrial waste accidents. Additionally, regarding preventive measures against soil contamination, the Group has established soil contamination prevention regulations in response to preventing occurrence of contamination, etc., as defined by the Soil Contamination Countermeasures Act and Water Pollution Prevention Act.

Social contribution activities

Under the corporate philosophy “The best partner for life and society – with Energy, with the Car, with the Home –,” the Itochu Enex Group endeavors to contribute to the realization of affluent local communities and quality life for people living there, as well as to the sustainable development of society by implementing business activities to achieve the creation of diverse values and activities to contribute to society.

Video introducing the Itochu Enex Group’s social contribution activities

You can watch the movie showing the Company’s social contribution activities by scanning this code with a smartphone.

Basic policies for the Itochu Enex Group’s social contribution activities.

As “The best partner for life and society” Develop an environment, develop human resources and develop communities to be passed on to the future

Three themes of social contribution activities

Environmental preservation

Nurturing the next generation

Contributing to communities

◎Based on the corporate philosophy “The best partner for life and society,” we contribute to the society in business activities and as a good corporate citizen.

◎Under the theme of developing an environment, developing human resources and developing communities to foster the next generation, we carry out activities to pass down a sustainable society to the future.

◎We support social contribution activities conducted by employees as a citizen.

◎We proactively disclose details and results of our social contribution activities and share them with the society.

Environmental preservation

Developing healthy forests

In response to a call of the Tokyo Development Foundation for Agriculture, Forestry and Fisheries, we have participated, since 2010, in the “Coexistence and Cooperation Forest Development Project” in which cedar, cypress and broad-leaved trees are planted in the Nariki district, Oume City, Tokyo, which is located in the western area of Tokyo, with the aim of developing a forest where forestry development and biodiversity conservation coexist.

Project to protect Japanese squirrels

The population of Japanese squirrels (Sciurus lis) has decreased in recent years due to changes in the habitat environment. Due to unceasing roadkill of road-crossing squirrels, we have co-sponsored a project to build a bridge for squirrels and support an activity aiming at coexistence between people and creatures living in the forests and undeveloped woodland (Tokamachi City, Niigata).

Cleanup activities

Each company in the Itochu Enex Group, which is rooted in local communities, has joined cleanup activities sponsored by local municipalities and residents’ associations and is working to conserve and beautify the community environment together with community residents.

Itochu Enex Home-Life Hokkaido Co., Ltd.	Cleanup in Sapporo City
Itochu Enex Home-Life Tohoku Co., Ltd.	Cooperated in a cleanup of the Fisheries Cooperative Association of Fukaura, Aomori
Itochu Industrial Gas Co., Ltd.	Kita-Kanto Brach cleaned up elementary school roads.
Enex Electric Power Group Hofu Energy Service Co., Ltd.	Cleanup of areas around the plants and neighborhoods.

Ultimate Frisbee course

Dietary education program to foster strength for living via food

Events for children to experience security facilities

Nurturing the next generation

Ultimate Frisbee course

In cooperation with the Japan Flying Disc Association, we invited members of the Japanese national team to hold courses at schools. These activities not only serve to teach rules and techniques, but aids in activating the spirit of self-control and ethics for children. (Held five times during FY2017)

*Ultimate Frisbee is a competitive team sport featuring flying discs.

Dietary and fire education activities

At kindergartens and nursery schools across Japan, we conduct dietary education activities that convey to children gratitude for food and the importance of cooking, alongside fire education activities that convey to children the power of fire and the importance of energy. (Held 11 times during FY2017)

Word and voice activities

“Enjoy the Power of Words,” an oral recital event that seeks to maintain remembrance of earthquake disasters, was held throughout Japan. Former television announcers Motoyo Yamane and Masako Shindo were the reciters. In the “Power of Voice” lecture series, we provide support to activities that promote personal growth with voices and words from various genres.

Activities to introduce children to the workings of society

At Enex Family Day, employees are joined by their children for a day on the job to share their work and the company. Activities include business card exchanges with the President. (Held once per year) Group company Itochu Enex Home-Life Hokkaido Co., Ltd. has participated in the Mini-Sapporo event in Hokkaido since 2017, which aims for children to experience a sense of self-fulfillment of being a social participant through workplace experience. Children can experience safety inspections by being a gas mechanic.

Regional contributions

Recovery support

~ Support for areas affected by the Great East Japan Earthquake ~

Donations collected from employees (27,288,000 yen in total since 2011) have been sent to bodies such as the Iwate no Manabi Kibo Kikin scholarship fund, Miyagi Kodomo Ikuei scholarship fund for child victims of Eastern Japan, and Fukushima Kodomo Kifukin donations to child victims of Eastern Japan, serving useful purposes in recovery support. Additionally, Enexauto Co., Ltd. participated in a maritime forest regeneration project as recovery support for the Great East Japan Earthquake.

~ Support for heavy rain event in Western Japan ~

In 2018, a donation from the Company of 5 million yen was donated to the nonprofit corporation, Japan Platform, 30,000 yen from Itochu Enex Home-Life Nishi-Nihon Co., Ltd. was donated to the Japanese Red Cross Society, and 687,000 yen from employees was donated to Japan Platform. Enex Petroleum Sales Nishi-Nihon Co., Ltd. provided temporary storage locations for relief supplies.

Support for people with disabilities

~ Self-reliance and promoting art ~

Aside from sponsoring the Artbility project which is operated by Tokyo Colony, the social welfare corporation, we issue an original calendar annually featuring artwork registered by Artbility in the calendar’s design and wrapping to support self-reliance of people with disabilities.

~ Sports activities ~We support the activities of the nonprofit Yumeken, an organization that engages in sports, health activities, and interaction with people with disabilities.

Welcoming facility tours

Group member company Enex Electric Power Co., Ltd. welcomes students from local elementary schools for tours as a component of regional contribution activities.

Promoting social welfare

Group member companies Enex Fleet Co., Ltd. and Ecore Co., Ltd. invite local children to sports team matches. Additionally, Nissan Osaka Sales Co., Ltd., which is a participant in Vaccines for the World’s Children, has initiated activities to collect PET bottle caps at all of its business offices and has been successful in providing over 10,000 vaccinations for children.

Employee volunteer activities

To nurture personnel that contribute to and are trusted by society, we have established a system wherein volunteer activity expenses for employees and their families are borne by the Company. Participation by employees in the Walk the World charity event organized by the United Nations World Food Program is encouraged, and contributions are made to school lunch programs in an effort to eliminate global poverty. Activities to contribute to improvement in educational opportunities and lifestyles in impoverished nations are ongoing.

This is , ENEX
Our Vision
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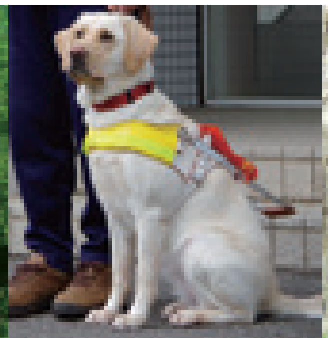
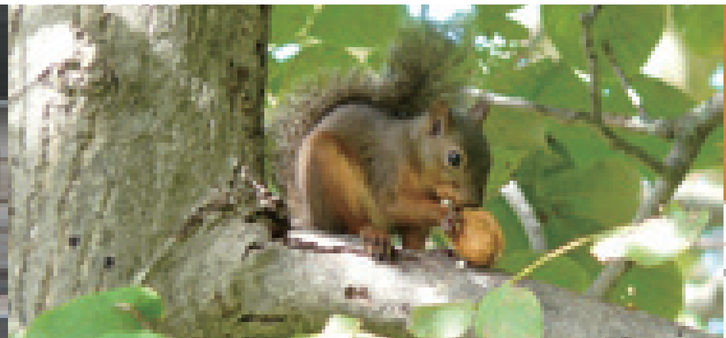
Company Information

Coexistence and Cooperation Forest Development Project (Oume City)

Support for the Hokkaido Guide Dog Association



Project to protect Japanese squirrels



Self-reliance support via using designs by artists with disabilities

Sports support for people with disabilities

Participation in events to aid in resolving world hunger

Protection of human rights

"Be Ethical," in the Group's Code of Conduct includes a meaning of respect for human rights, and reliable and sincere responses to protection of human rights are thoroughly ensured. As a measure to fulfill corporate social responsibilities, we also work to expand job opportunities for people with disabilities.

Toward zero harassment

At Itochu Enex, the following types of harassment are included in the prohibited items of the work regulations in an effort to work toward zero harassment.

(1) Sexual harassment
Having a detrimental influence on other employees, etc., or damaging the working environment through sexual speech and conduct.

(2) Power harassment
Utilizing power such as official authority to continuously infringe upon a person's personality and respect in excess of standard operating procedures, worsening the employee's working environment or causing the person to become anxious about employment security.

(3) Maternity harassment and paternity harassment
Having a detrimental influence on other employees, etc., or damaging the working environment through undue speech and conduct regarding matters such as pregnancy, childbirth, or childcare leave.

(4) Care harassment
Having a detrimental influence on other employees, etc., or damaging the working environment through undue speech and conduct regarding matters such as family care leave.

Additionally, harassment prevention posters are posted across the Group's business locations, power harassment guidelines are issued and distributed, and we work to include harassment as part of periodic training.

Consumer issues

The Company recognizes communication with customers and safe and stable delivery of energy as significant consumer issues and promotes continuous measures in these areas.

Customer Helpdesk

The 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 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.

Resolving inconveniences in areas lacking service stations

On July 28, 2018, Enex Fleet Co., Ltd. opened the Ota-Godo Parking Area Westbound Store and Eastbound Store in the Ota-Godo Parking Area of the Kita-Kanto Expressway. This area was previously in the top five areas on Japan's expressway network lacking service stations, and through opening these stores, we will provide strong support for an age of logistics that expands across the nation with a foundation in the Greater Tokyo Metropolitan Area.

Labor practices

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 securing safety in operations, daily maintenance of health, creating a welcoming workplace, and the creation of a company that values employee input as priority management issues.

Securing labor safety

In accordance with its basic policy of "we cannot conduct business without security – security takes precedence over all business conduct," the 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.

Employee protection in the event of disaster

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

Health Support Section

A Health Support Section has been established to aid in employee health management. Two health nurses support healthy management through implementing health checkups and providing aftercare, providing mental and physical advice, and promotion and education on health issues. All employees also undergo stress checks with advice provided in the areas of mental health countermeasures, lifestyle-related diseases, and reduction of metabolic syndrome.

Subsidy program for expense of thorough physical checkup

The Company not only implements periodic health checkups based on Japan's Industrial Safety and Health Act, but employees aged 40 and above are required to undergo a thorough physical checkup, with the expenses for the procedures borne by the Company.

Interaction with employees: Sound labor-management relations

To ensure that each employee can work with motivation, improve performance, and achieve his or her mission, the Company has a labor union and holds labor-management council meetings on a regular basis in order to receive frank opinions from employees and reflect in management the issues that they view as important. (The Company's labor union operates under a union shop system.)

Furthermore, employees also participate in Health Committee meetings held monthly to deliberate on labor safety and sanitation improvements, prevention of health disorders, and promotion of health. Through such measures, the Company is working to create a workplace environment where a diverse field of personnel can leverage their respective strengths.

◎Selected deliberation themes for FY2017
About occupational accident prevention, prevention of various infectious diseases, survey on tobacco use, promotion of fitness club use, etc.

Striking a balance between work and family

The Company has enriched systems to support the coexistence of work with different events and phases in employees' lives such as childbirth, childcare, and family care obligations.

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

Special pregnancy leave	10 days
Childbirth lump-sum grant	300,000 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.
Support for childcare	Opened the "Enex Nursery" corporate nursery facility

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.

Promoting advancement of women in the workplace and compliance with Japan's Act on Advancement of Measures to Support Raising Next-Generation Children

The Company has formulated an action plan regarding the promotion of advancement of women in the workplace and works to enable all employees to leverage their abilities by maintaining an employment environment and creating a working environment where women can perform. An action plan as a general business operator pursuant to the Act on Advancement of Measures to Support Raising Next-Generation Children has also been formulated, and we have received certification as a Kurumin company that helps employees balance professional and personal obligations.

Reemployment programs in response to employees' motivation

The Company maintains reemployment programs to enable people with work experience at the Company to continue to leverage their strengths.

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.

Employee satisfaction survey

With the objective of implementing improvements and reforms by ascertaining issues involving the entire company and organization, the Company conducted an employee satisfaction survey to collect opinions on employee attitude and satisfaction and the various measures and programs introduced by the Company. The survey results will be incorporated in personnel system improvements, the Enex Early Bird workstyle reforms, and measures to prevent employees from leaving the Company, ultimately leading to improvements in employee motivation and productivity.

Personnel data

Unit: persons

	Fiscal year ended March 2016	Fiscal year ended March 2017	Fiscal year ended March 2018
Number of employees (consolidated)	**6,096**	**5,958**	**5,613**
Number of employees (non-consolidated, including employees at subsidiaries)	**650**	**642**	**656**
(Men)	(557)	(541)	(545)
(Women)	(93)	(101)	(111)
Average age (non-consolidated)	**41.1**	**41.0**	**41.0**
(Men)	(41.7)	(41.1)	(41.08)
(Women)	(39.6)	(39.1)	(38.07)
Average years of service (non-consolidated)	**17.5**	**16.8**	**16**
(Men)	(17.1)	(17.3)	(16.8)
(Women)	(15.3)	(14.3)	(12.8)
	FY2015	FY2016	FY2017
Persons taking childcare leave			
Men	2	1	1
Women	9	9	7
Persons taking nursing care leave	7	10	12
Persons utilizing reduced working hours	9	10	11
Persons utilizing staggered working hours	11	12	16
Persons taking family care leave	1	3	2
Number of new graduates hired	Joined in April 2016	Joined in April 2017	Joined in April 2018
Men	18	17	16
Women	9	10	8

Unit: %

	As of June 2016	As of June 2017	As of June 2018
Rate of employment of people with disabilities	**1.66**	**1.66**	**1.16**

Unit: persons

	As of July 1, 2018
Number of employees by division (non-consolidated)	
Home-Life Division	**144**
Power & Utility Division	**103**
Life & Industrial Energy Division	**299**
Mobility Life Department	**16**
Corporate Administration Division	**71**
Divisions under the direct control of the President	**17**
Generalist and management (non-consolidated)	
Generalist	**575**
(Men)	(529)
(Women)	(46)
Single-geographic-area job	**75**
(Men)	(6)
(Women)	(69)
Management	**195**
(Men)	(194)
(Women)	(1)
	As of March 31, 2018
Number of employee labor union members	**416**

	FY2017
Average salary of the employees	¥9,958,780
Yearly average actual working hours	2016.72 hours
Monthly average overtime hours	15.56 hours
Rate of paid vacation taken	80%
Ratio of employees leaving for personal reasons	2.74%

Top priority challenges on CSR and Compliance

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's policy on procurement and purchasing

Pursuant to the Declaration of the Group Code of Conduct, the ITOCHU ENEX Group implements evaluation and selection of suppliers while establishing continuous partnerships with business partners in an effort to seek mutual benefits through transactions. Additionally, based on the Group's Environmental Policy, we are promoting procurement activities that are considerate of environment protection via initiatives such as procurement of materials with low environmental burdens. In offices as well, we promote the use of products that take the environment into account under Japan's Green Purchase Act.

Compliance with the Anti-monopoly Law, Subcontract Act, and related laws and regulations

To realize fair transactions, the ITOCHU ENEX Group has formulated its own Anti-monopoly Law Manual with the intent of ensuring awareness and compliance with the Anti-monopoly Law, Subcontract Act, and related laws and regulations. This manual describes the objectives of laws such as the Anti-monopoly Law and Subcontract Act, consequences for violations, and specific types of actions that are unacceptable. Details are also provided on specific actions that are unacceptable and require particular care when undertaking operations that are a part of the Group's corporate activities.

Communication with business partners

To create increasingly better results from partnerships with business partners, the ITOCHU ENEX Group periodically and continuously engages in close communication with them through venues such as the Enex Meeting, jointly held with business partners, and informal gatherings held in various locations. Additionally, an information magazine is issued for business partners in the Home-Life Division and business related to CS as an activity to promote understanding and sharing of information related to the Group's business activities. As the Company's business environment undergoes significant change, dialogue with business partners will become increasingly important for the co-creation of various businesses, and the Group will work toward further invigoration by listening to the voices and wishes of our business partners.

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

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

Responsible advertising activities

For all corporate communication, the ITOCHU ENEX Group practices responsible advertising activities pursuant to the corporate philosophy, Code of Conduct, and the Declaration of the Group Code of Conduct. In particular, maximum effort is made in the areas of reliability and sincerity, creativity and ingenuity, transparency and integrity as stated in the Code of Conduct "Be Ethical," and the Company endeavors to improve understanding and empathy for its corporate activities through frank and clear dialogue in an effort to further raise corporate value.

Whistleblowing and consulting contact points

The ITOCHU ENEX Group has established whistleblowing contact point within the Group and outside 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 or laws, 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 whistleblowing contact point functions and how whistleblowers are protected, and has developed a system that ensures an appropriate response to whistleblowing while maintaining transparency.

Additionally, the ITOCHU ENEX Group has made available an outside consulting contact point that is available for any employee or family member associated with the Group. This consulting contact point can also respond to issues concerning harassment, mental health, physical health, and daily living. Responses are provided by specialists such as clinical psychologists, health nurses, and consumer affairs advisors, maintaining a system where issues on mental health care can also be resolved.

Whistleblower protection

The ITOCHU ENEX Group has established clear regulations on responsibilities with respect to concerned parties within the report processing structure including ensuring that the whistleblower does not receive any detrimental treatment, including termination, as a result of whistleblowing, and ensuring confidentiality of matters regarding whistleblowing. The Group operates an effective whistleblowing system as a result.

Data Section

A decade of financial summary

	Japanese GAAP	Japanese GAAP	Japanese GAAP	Japanese GAAP	Japanese GAAP	IFRS	IFRS	IFRS	IFRS	IFRS
	2009/3	**2010/3**	**2011/3**	**2012/3**	**2013/3**	**2014/3**	**2015/3**	**2016/3**	**2017/3**	**2018/3**
(million yen)										
Total trading transaction	1,164,708	1,083,760	1,185,731	1,414,161	1,430,745	1,506,606	1,373,393	1,071,629	1,028,939	1,156,344
Revenue						966,044	936,841	723,645	695,060	744,767
Gross profit	74,459	64,557	64,900	64,604	70,054	71,599	85,720	89,562	93,604	88,822
Selling, general and administrative expenses	64,578	58,461	55,873	55,631	56,328	57,862	71,184	73,226	74,697	70,931
Profit from operating activities	9,881	6,095	9,027	8,973	13,726	11,875	13,100	16,384	19,678	17,153
Net profit attributable to Itochu Enex's shareholders	5,418	4,360	3,883	3,893	5,576	7,124	5,503	7,469	10,405	11,025
Total assets	247,587	263,096	277,585	305,053	323,747	321,032	329,059	304,053	344,603	382,621
Shareholders' equity	98,057	99,011	101,088	102,050	105,970	94,144	97,432	100,526	108,511	116,104
Figures per share										
Net profit attributable to Itochu Enex's shareholders	52.44	37.46	34.12	34.22	49.36	63.05	48.71	66.10	92.09	97.63
Equity	759.66	791.24	805.95	826.68	868.69	833.20	862.30	889.70	960.37	1,028.57
Annual dividends	16	16	20	16	16	20	22	24	32	40
Major financial indicators (%)										
ROE	6.4	4.9	4.3	4.2	5.8	7.8	5.7	7.5	10.0	9.8
ROA	4.1	2.7	3.6	3.3	4.1	4.3	3.7	4.7	6.0	5.3
A dividend payout ratio	30.5	42.7	58.6	46.8	32.4	31.7	45.2	36.3	34.8	41.0

(Notes)
1.The figures of revenue are without consumption taxes.
2.The figures of this page are based on IFRS(International Financial Reporting Standards).
3.In accordance with the application of IFRIC 21 from the fiscal year ended March 2015, we have retroactively revised figures for the fiscal year ended March 2014.
4.The figures of this page round off less than 1 million yen.

Rating *Rating agency: Japan Credit Rating Agency, Ltd. (JCR)

As of August 28, 2018

Object	Rating	Outlook
Long-term issuer rating	A+	Stable

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

Object	Issue price	Issue date	Maturity date	Interest rate	Rating
Series 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+

Annual sales volume of major products

	FY2015	FY2016	FY2017
Gasoline (Thousands of kiloliters)	3,722	3,587	**3,328**
Kerosene (Thousands of kiloliters)	1,471	1,448	**1,590**
Diesel oil (Thousands of kiloliters)	3,321	3,271	**3,401**
LP gas (Thousands of tons)	601	597	**619**
Electricity (GWh)	1,616	3,190	**4,674**

Environment-related data

FY2017 environmental improvement plan performance and assessment

PU: Power & Utility Division LL: Life Energy & Logistics Division
HL: Home-Life Division IL: Industrial Energy & Logistics Division

Area	Division	Environmental target	FY targets		Period performance	Rate of progress	Status of progress
Achieving a low-carbon society	PU	Promoting development of renewable energy					Deliberations are ongoing toward development of biomass power generation, etc. Measures are underway toward development of other new renewable energy power generation businesses.
	PU	Promoting the generation of renewable energy	75,450	MWh	80,677	107%	A deterioration in wind conditions at Tainai Wind Farm caused power generated by wind power to decrease. However, power generation was at full capacity owing to progress in FIT construction at Joetsu Energy Service, and the overall plan was achieved.
	LL	Growing sales of AdBlue	45,029	KL	47,317	105%	Penetration of SCR vehicle: 60%. SCR is an acronym, standing for Selective Catalytic Reduction.
	HL	Growing sales of solar power systems	609	Units	205	34%	•Focused on profits instead of sales volume. •Focused on electric power sales and capturing new gas customers. •The Market sluggish.
	LL	Sales/promotion of electric vehicles (Leaf)	1,400	Units	1,200	86%	January: 197 units; February: 213 units; March: 98 units
	HL	Sales of EcoJozu	12,087	Units	9,982	83%	•Focused on profits instead of sales volume. •Focused on electric power sales and capturing new gas customers.
	HL	Sales of glass top stoves	14,208	Units	9,793	69%	•Focused on profits instead of sales volume. •Focused on electric power sales and capturing new gas customers.
	IL	Promoting initiatives for slop	8,390		2,160	26%	Failed to reach targets despite achievements in collection. Aim to expand volume in FY2018 through synergies from integrating operations in different departments.
	IL	Promoting fly-ash (FA) initiatives	13,250		356	3%	Due to transfer of contracts to KANOU FA CO., LTD., a new fly ash company.
	PU	Deployment of community development businesses					One employee was seconded to Enecoop to begin strengthening the partnership ahead of expanding electric power transactions. Additionally, to strengthen our foundation in Hokkaido, we made an investment in Todok Denryoku and enhanced cooperation. Not limited to Hokkaido, the Company is seeking municipalities to work with toward expanding business and employment, and we continue to support the expansion of local private companies into the electric power business.
	CA	Planning and implementation of social-contribution activities					(1) Donated 1,865,000 yen to provide medium- to long-term recovery support for the Great East Japan Earthquake. (2) Held Ultimate Frisbee courses (five times during the year) for elementary, junior high, and high school students. (3) Sponsored the Tokyo Colony social welfare corporation and used pictures created by people with disabilities for the corporate calendar. (4) Held the Seventh Enjoy the Power of Words in Fukuoka and the Eighth in Tokyo with a combined total of 619 participants. (5) Sponsored the Eighth Yumeken Cup held at the Tokyo Tatsumi International Swimming Center with participation from eight volunteers. (6) Total of 30 employee family members participated in the Walk the World charity event held by the United Nations World Food Program.
Reducing environmental impact	CA	Eco-office activities: Reductions in general power use	2,120	Thousand kWh	2,221	105%	5% over target, 4% higher than FY2016.
		Eco-office activities: Reductions in site fuel use	94	Thousand m³·KL	106	113%	13% over target, 3% higher than FY2016.
		Eco-office activities: Reductions in vehicle fuel use	2,860	KL	3,024	106%	6% over target, 1% higher than FY2016.
		Eco-office activities: Reductions in copier-paper use	20,239	Thousand sheets	20,631	102%	2% over target, 2% higher than FY2016.
		Improving energy conservation awareness through eco-driving training for subcontractor trucking companies and group companies					Held a course for 32 people belonging to 20 companies at the head office on October 24. Began discussions on venue and training content for FY2018 as a specified shipper.
Preservation of local environments	LL	Preventing facility accidents and legal and regulatory violations					(1) Prepared FY2018 budget based on facility inspection results. (2) Held CSR safety personnel meeting on Monday, February 26. Held at the Tatsuno Tsurumi Plant and attended by a total of 13 people from among group companies, area managers, administrative staff, etc. (3) Operations associated with change in Kyushu area personnel. (4) Summary: Safety was secured despite organizational changes.
	IL	Strengthening autonomous safety management systems					1. Energy conservation proposals (shifting to LED lighting at terminals). 2. Countermeasures against salt damage to facilities (verification on facility maintenance management and durability). 3. Asphalt terminal repair construction support (construction management and methods). 4. Shared information via monthly environmental and safety bulletins. 5. Collected information and implemented countermeasures on laws related to business. Emphasizing asset value (efficiency and safety), provided support for repair methods and process adjustments at facilities.
	HL	Preventing accidents through consistent and advanced security management system based on autonomous safety standards					•Autonomous safety audits completed pursuant to laws and regulations and the Enex autonomous safety standards. Conditions in safety management improved at each company compared to FY2016. •Created 3,500 badges to raise awareness of preventing carbon monoxide poisoning and distributed them to employees at sales companies.

FY2017 ISO 14001 activities

Covered sites

	FY	General power	Motive power	Power total	City gas	LP gas	Auto gas	Gas total	Kerosene	Residual oil	Fuels total	Gasoline	Diesel	Vehicle fuels total	CO_2 total	Copier paper	Water	Industrial wastes	Specially managed industrial wastes	Wastes total	PRTR
Unit		Thousand kWh			Thousand m³				KL			KL			t-CO_2	Thousand sheets (A4 equivalent)	Thousand m³	t			t
Number of sites covered	2017	101	65	—	1	83	63	—	7	8	—	121	48	—	—	116	85	89		—	43
	2016	104	67	—	1	85	69	—	8	8	—	124	48	—	—	124	88	93		—	39
	2015	124	90	—	4	96	68	—	23	8	—	129	45	—	—	122	114	106		—	43
	2014	103	69	—	1	81	69	—	13	8	—	121	44	—	—	118	87	102		—	34
Performance	2017	2,175	5,313	7,488	0	86	1,211	1,297	9	1,392	1,402	1,229	553	1,781	14,300	20,374	29	48,828	11	48,839	9
	2016	2,143	7,169	9,312	0	89	1,077	1,166	8	1,461	1,469	1,305	516	1,822	15,527	20,455	41	43,846	10	43,857	9
	2015	2,202	6,464	8,665	0	86	1,142	1,228	7	1,473	1,480	1,216	485	1,701	15,292	21,077	33	52,559	18	52,577	9
	2014	2,249	5,682	7,931	0	96	1,261	1,357	7	1,467	1,474	1,288	490	1,778	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	Auto gas	Gas total	Kerosene	Residual oil	Fuels total	Gasoline	Diesel	Vehicle fuels total	CO_2 total	Copier paper	Water	Industrial wastes	Specially managed industrial wastes	Wastes total	PRTR
Unit		Thousand kWh			Thousand m³				KL			KL			t-CO_2	Thousand sheets (A4 equivalent)	Thousand m³	t			t
Performance	2017	–	–	244,144	18,342	208	1,218	19,769	353	1,721	2,074	2,306	753	3,058	710,825	25,661	389	50,795	11	50,806	44
	2016	–	–	365,722	18,418	221	1,085	19,724	279	1,993	2,272	2,365	709	3,074	956,000	26,922	108	49,334	21	49,355	56
	2015	–	–	215,122	44,430	158	1,142	45,730	299	7,104	7,403	2,120	681	2,801	954,000	24,085	107	57,748	23	57,772	67

*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.
*Total figures for business sites that collect environmental data, including Group members companies, are presented for reference above.

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

Specified shipper

FY	2013	2014	2015	2016	2017
Shipments in ton-kilometers (thousand t-km)	773,254	794,162	415,717	542,801	436,155
CO_2 emissions (t-CO_2)	36,173	36,598	21,457	26,949	23,466
Intensity (vs. shipment volume)	0.0173	0.0170	0.0191	0.0184	0.0200

Specified business operator

FY	2013	2014	2015	2016	2017
Energy use (KL)	3,022	2,629	2,704	2,536	2,415
CO_2 emissions (t-CO_2)	7,321	6,475	6,658	6,051	5,802
Intensity (sales volume)	0.2085	0.1968	—	—	—

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

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

◎Certified as an Near-Top-Level Facility under the Tokyo Metropolitan Government's Cap-and-Trade Program*1
FY2015: Kanda-Surugadai District Heat Supply Center, Hakozaki District Heat Supply Center, Harumi Island District Heat Supply Center
FY2017: Fuchu Nikkocho District Heat Supply Center

◎Certified as low-carbon*2 district heat supply business under the Tokyo Metropolitan Government's Cap-and-Trade Program
<Of 33 districts within Tokyo that received certification during FY2018, 11 districts were operated by the Company>
Ginza 2-chome/3-chome, Shinkawa, Kanda-Surugadai, Shibaura 4-chome, Ginza 5-chome/6-chome, Hakozaki, Fuchu Nikkocho, Kyobashi 2-chome, Hachioji Asahicho, Osaki 1-chome, Harumi 1-chome

◎Registered as a business making the CO2CO2 (kotsukotsu) smart declaration (premium course)*3 in Chiba Prefecture
2018: Makuhari New City High-Tech Business District Heat Supply Center

◎Certified as 3-star Tochigi Prefecture Eco-Keeper Operator*4
2017: Make use of unused energy from substation waste heat at the Utsunomiya City Chuo District Heat Supply Center was rated highly

*1 To promote countermeasures against global warming, the Tokyo Metropolitan Government has implemented Cap-and-Trade Program for large-scale business offices that requires a reduction in total greenhouse gas emissions and a transaction program for emissions quota trading.
*2 Low-carbon heat certified under this system is for districts with a COc exhaust coefficient (COv exhaust volume per unit of electric power or heat provision) of 0.058t-CO2/GJ or less, and if customers procure heat in these districts, this is deemed as equivalent to a reduction in CO_2.
*3 As a global warming countermeasure, Chiba Prefecture registers business offices actively engaged in global warming countermeasures including energy conservation and introduction of renewable energy as "CO2CO2 smart declaration business offices" and widely introduces these initiatives.
*4 To promote autonomous global warming countermeasures by business offices, Tochigi Prefecture certifies business offices that implement superior measures regarding global warming measures during the course of business activities as "Eco-Keeper Operators."

Consolidated Financial Statements

1. Consolidated Statement of Financial Position

(Millions of yen)

	Notes	As of March 31, 2017	As of March 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents	8	22,727	22,573
Trade receivables	9, 41	94,759	119,541
Other current financial assets	10	29,709	38,860
Inventories	11	27,155	28,380
Trade advances paid		1,900	1,690
Other current assets		1,877	1,725
Total current assets		178,127	212,769
Non-current assets			
Investments accounted for by the equity method	12, 41	11,749	26,145
Other investments	10, 41	7,461	3,406
Non-current financial assets other than investments	10, 41	10,803	11,400
Property, plant and equipment	13, 16, 39, 41	87,588	85,326
Investment property	14	11,986	10,166
Goodwill	15	533	692
Intangible assets	15, 16	23,638	20,798
Deferred tax assets	17	11,359	10,502
Other non-current assets		1,359	1,417
Total non-current assets		166,476	169,852
Total assets	5	344,603	382,621

(Millions of yen)

	Notes	As of March 31, 2017	As of March 31, 2018
LIABILITIES AND EQUITY			
Current liabilities			
Short-term bonds and borrowings	18, 41	9,318	12,432
Trade payables	19, 41	101,902	127,445
Other current financial liabilities	20	8,719	8,539
Income taxes payable		5,258	3,650
Advances from customers		6,460	10,583
Other current liabilities	21, 22	12,094	12,280
Total current liabilities		143,751	174,929
Non-current liabilities			
Non-current bonds and borrowings	18, 41	31,702	30,273
Other non-current financial liabilities	20	24,501	23,335
Non-current liabilities for employee benefits	23	9,761	9,820
Deferred tax liabilities	17	1,961	2,185
Provisions	22	5,052	4,757
Other non-current liabilities		398	256
Total non-current liabilities		73,375	70,626
Total liabilities		217,126	245,555
Equity			
Common stock	24	19,878	19,878
Capital surplus	24	18,740	18,892
Retained earnings	24	73,300	80,352
Other components of equity	25	(1,655)	(1,145)
Treasury stock	24	(1,752)	(1,873)
Total shareholders' equity		108,511	116,104
Non-controlling interests	38	18,966	20,962
Total equity		127,477	137,066
Total liabilities and equity		344,603	382,621

* See accompanying notes to consolidated financial statements.

2. Consolidated Statement of Comprehensive Income

(Millions of yen)

	Notes	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Revenue	28	695,060	744,767
Cost of sales		(601,456)	(655,945)
Gross profit		93,604	88,822
Other income and expense			
Selling, general and administrative expenses	29	(74,697)	(70,931)
Loss from tangible assets, intangible assets and goodwill	30, 31	(982)	(1,544)
Other – net	32	1,753	806
Total other income and expense		(73,926)	(71,669)
Profit from operating activities		19,678	17,153
Financial income and costs	33		
Interest income		89	92
Dividends received		246	296
Interest expense		(966)	(950)
Other financial income and costs – net		(203)	(241)
Total financial income and costs		(834)	(803)
Share of profit of investments accounted for by the equity method	12	500	493
Gains on business reorganization and others	7	–	2,326
Profit before tax		19,344	19,169
Income tax expense	17	(6,599)	(5,945)
Net profit		12,745	13,224
Net profit attributable to:			
Net profit attributable to Itochu Enex's shareholders		10,405	11,025
Net profit attributable to non-controlling interests		2,340	2,199
Total		12,745	13,224

(Millions of yen)

	Notes	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Other comprehensive income, net of tax effect			
Items that will not be reclassified to profit or loss			
FVTOCI financial assets		78	892
Remeasurement of net defined benefit liability		206	105
Other comprehensive income of investments accounted for by the equity method	12	0	(9)
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations		(37)	(38)
Cash flow hedges		111	74
Other comprehensive income of investments accounted for by the equity method	12	224	(519)
Total other comprehensive income, net of tax effect	25	582	505
Comprehensive income		13,327	13,729
Comprehensive income attributable to:			
Comprehensive income attributable to Itochu Enex's shareholders		10,866	11,460
Comprehensive income attributable to non-controlling interests		2,461	2,269
Total		13,327	13,729

(Yen)

Earnings per share attributable to Itochu Enex's shareholders			
Basic	34	92.09	97.63
Diluted	34	–	–

(Millions of yen)

Total trading transactions		1,028,939	1,156,344

(Note) Total trading transactions are presented in accordance with Japanese accounting practices and represent the total amounts of transactions that Itochu Enex Co., Ltd. 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 Itochu Enex Co., Ltd. for investors' convenience, and is not required to be disclosed under International Financial Reporting Standards ("IFRSs").

* See accompanying notes to consolidated financial statements.

3. Consolidated Statement of Changes in Equity

(Millions of yen)

	Notes	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Equity			
Common stock	24		
Balance at the beginning of the year		19,878	19,878
Balance at the end of the year		19,878	19,878
Capital surplus	24		
Balance at the beginning of the year		18,740	18,740
Acquisition of subsidiary shares from non-controlling interests and others		–	152
Balance at the end of the year		18,740	18,892
Retained earnings	24		
Balance at the beginning of the year		66,024	73,300
Net profit attributable to Itochu Enex's shareholders		10,405	11,025
Transfer from other components of equity		(248)	(75)
Cash dividends paid to Itochu Enex's shareholders	26	(2,881)	(3,898)
Balance at the end of the year		73,300	80,352
Other components of equity	25		
Balance at the beginning of the year		(2,364)	(1,655)
Other comprehensive income attributable to Itochu Enex's shareholders		461	435
Transfer to retained earnings		248	75
Balance at the end of the year		(1,655)	(1,145)
Treasury stock	24		
Balance at the beginning of the year		(1,752)	(1,752)
Purchase and disposal of treasury stock		(0)	(121)
Balance at the end of the year		(1,752)	(1,873)
Total shareholders' equity		108,511	116,104
Non-controlling interests	38		
Balance at the beginning of the year		16,636	18,966
Net profit attributable to non-controlling interests		2,340	2,199
Other comprehensive income attributable to non-controlling interests		120	69
Cash dividends paid to non-controlling interests		(345)	(615)
Changes due to additional acquisitions and sales of interests in subsidiaries		215	343
Balance at the end of the year		18,966	20,962
Total equity		127,477	137,066

* See accompanying notes to consolidated financial statements.

4. Consolidated Statement of Cash Flows

(Millions of yen)

	Notes	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities			
Profit before tax		19,344	19,169
Depreciation and amortization		10,856	10,824
Loss from tangible assets, intangible assets and goodwill		982	1,544
Financial income and costs		834	803
Share of profit of investments accounted for by the equity method		(500)	(493)
Gains on business reorganization and others		–	(2,326)
Increase in trade receivables		(22,938)	(25,998)
Increase in inventories		(1,337)	(1,964)
Increase in trade payables		21,158	26,522
Other – net		(4,629)	3,461
Interest and dividends received		510	737
Interest expense		(927)	(873)
Income taxes paid		(5,522)	(7,167)
Net cash flows provided by operating activities		17,831	24,239
Cash flows from investing activities			
Purchase of investments accounted for by the equity method		(2,649)	(5,972)
Purchase of investments		(30)	(256)
Proceeds from sales of investments		1,472	5,411
Acquisition of subsidiaries, net of cash acquired	35	(645)	(3,751)
Sales of subsidiaries, net of cash held by subsidiaries	35	3,001	–
Loss of control of subsidiaries	35	–	(598)
Payment for loans receivable		(1,661)	(444)
Collection of loans receivable		1,710	5,675
Payments for purchase of property, plant and equipment and investment property		(8,436)	(11,887)
Proceeds from sales of property, plant and equipment and investment property		2,810	2,536
Purchase of intangible assets		(1,622)	(2,545)
Proceeds from sales of intangible assets		169	136
Increase in deposits paid – net		(9,000)	(7,000)
Other – net		169	237
Net cash flows used in investing activities		(14,712)	(18,458)
Cash flows from financing activities			
Proceeds from bonds and borrowings		7,500	–
Repayments of bonds and borrowings		(3,858)	(8,615)
Net increase (decrease) in short-term borrowings		(1,743)	7,323
Proceeds from share issuance from non-controlling interests		132	76
Cash dividends paid to Itochu Enex's shareholders	26	(2,881)	(3,898)
Cash dividends paid to non-controlling interests	38	(345)	(615)
Purchase of treasury stock		–	(121)
Other – net		(0)	(0)
Net cash flows used in financing activities		(1,195)	(5,850)
Net increase (decrease) in cash and cash equivalents		1,924	(69)
Cash and cash equivalents at the beginning of the year	8	20,824	22,727
Effect of exchange rate changes on cash and cash equivalents		(21)	(85)
Cash and cash equivalents at the end of the year	8	22,727	22,573

* See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Reporting Entity

Itochu Enex Co., Ltd. (the "Company") is an entity located in Japan. The addresses of the Company's registered head office and principal offices are available on its website (URL: https://www.itcenex.com/english/). The Company's consolidated financial statements, the closing date of which is March 31, 2018, 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, 2018.

(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, 2018, and the Group has not early adopted them.

The effect of adoption of IFRS 9 is insignificant.

No significant effect of adoption of IFRS 15 on the Company's consolidated financial statements, excluding presentation of revenue, is expected. Under IFRS 15, whether revenue is presented on a gross basis or a net basis is determined based on whether or not an entity controls the goods or services before the entity transfers those goods or services to a customer. In line with this, an increase is expected in the presentation of revenue in and after the fiscal year ending March 31, 2019. However, the effect on the Company's consolidated financial statements is under consideration and cannot be estimated at this time.

The effect of adoption of IFRS 16 is under consideration and cannot be estimated at this time.

Standard	Title	Mandatory adoption (From fiscal years beginning on or after)	Fiscal year in which the Group will adopt standards	Summary of new or revised standards
IFRS 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 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 for 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 of the subsidiary, and the subsidiary is included in the consolidation from the date of acquisition until the date on which the Group loses control.

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

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

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

B. Associates and Joint Ventures

An associate is an entity of which the Group has significant influence over the financial and operating policy. In determining whether the Group has significant influence, various factors, such as holding of voting rights (the Group is presumed to have significant influence over an investee if the Group owns 20% or more, but 50% or less of the voting rights of the investee directly or indirectly) and existence of 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 which requires unanimous consent of the parties in making important decisions on business activities. The business of a joint venture is undertaken by an entity independent of its investors and each investor has rights only to the net assets of the arrangement.

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

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

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

C. Transactions Eliminated in Consolidation

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

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

(2) Business Combinations

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

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

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

(3) Foreign Currency Translation

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

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

(4) Financial Instruments

A. Financial Assets Other Than Derivatives

(i) Initial Recognition and Measurement

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

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

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

For financial assets measured at fair value, investments in equity instruments, such as ordinary shares in other entities, except for equity instruments held for the purpose of obtaining gains from short-term sales, are classified as FVTOCI financial assets in principle. Other financial assets measured at fair value are classified as financial assets measured at fair value through profit or loss ("FVTPL financial assets"), of which the change in fair value after acquisition is recognized in profit or loss, in principle.

Such classifications are made upon initial recognition of each asset and applied consistently without any change.

Financial assets measured at amortized cost and FVTOCI financial assets are initially recognized at fair value (including transaction costs that are directly attributable to the acquisition of financial assets). FVTPL financial assets are initially recognized at fair value and transaction costs are recognized in profit or loss when they are incurred.

(ii) Subsequent Measurement

After initial recognition, financial assets are measured based on the classification as follows:

(a) Financial Assets Measured at Amortized Cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

(b) Other Financial Assets

Financial assets other than those measured at amortized cost are measured at fair value. Changes in the fair value of financial assets measured at fair value are recognized in profit or loss. However, changes in the fair value of FVTOCI financial assets are recognized in other comprehensive income. Dividends received on the financial assets are recognized in profit or loss for the year.

(iii) Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or when the contractual right to receive cash flows from financial assets are transferred in transactions in which substantially all the risks and rewards incidental to ownership of the asset are transferred to another entity. When an FVTOCI financial asset is sold, the difference between the latest carrying amount and the consideration received is recognized in other comprehensive income, and the balance of accumulated other comprehensive income that has been recognized due to sales of the financial asset is transferred to retained earnings.

B. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits, and short-term investments that are readily convertible into cash and that are exposed to insignificant risk of change in value and due within three months from the date of acquisition.

C. Impairment of Financial Assets Measured at Amortized Cost

At the end of each fiscal year, whether there is any indication that financial assets measured at amortized cost are impaired is assessed 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 14 years

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

(7) Goodwill and Intangible Assets

A. Goodwill

Goodwill arising from the acquisition of subsidiaries is recognized in assets at the amount of the "aggregate of fair values of consideration transferred, non-controlling interests, and shareholders' interests previously held by the acquirer in the acquiree" exceeding the "net amount of identifiable acquired assets and assumed liabilities" on the acquisition date. Goodwill is not amortized, but initially recognized at cost in assets, and is tested for impairment each fiscal year. Goodwill is carried at cost, less any accumulated impairment losses in the consolidated statement of financial position.

Goodwill is allocated to cash-generating units (minimum units or groups of units) that are expected to contribute to obtaining cash flows considering the synergies of the business combination. Cash-generating units to which goodwill was allocated are tested for impairment at the end of each fiscal year, or at any time when there is any indication of impairment.

When a subsidiary is disposed of, the amount of related goodwill is included in profit or loss for the disposal.

B. Intangible Assets

Intangible assets are measured using the cost model and are stated at cost, less accumulated amortization and accumulated impairment losses. Intangible assets acquired separately are measured at cost at the initial recognition, and the costs of intangible assets acquired through business combinations are recognized at fair value at the date of acquisition. All expenditures on internally generated intangible assets are recognized as an expense in the fiscal year in which they are incurred, except for development expenses that satisfy the capitalization criteria.

The period in which intangible assets, directly or indirectly, contribute to their estimated future cash flows is considered as the useful life. If the useful life of an intangible asset is reasonably projected, the intangible asset is amortized using the straight-line method over the estimated useful life. Intangible assets are tested for impairment whenever there is any indication of impairment. The estimated useful lives and amortization method of intangible assets are reviewed at each fiscal year end, and if there are any changes made to the estimated useful lives and amortization method, such changes are applied prospectively as changes in accounting estimates.

The estimated useful lives of major intangible assets are as follows:

- Relationships with customers: 5 to 42 years
- Brand and relationships with suppliers: 40 years
- Software 5 years

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

(8) Leases

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

A. Leases as Lessee

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

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

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

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

B. Leases as Lessor

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

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

(9) Investment Property

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

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

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

(10) Impairment of Non-Financial Assets

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

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

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

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

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

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

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

(11) Non-Current Assets Held for Sale

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

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

(12) Employee Benefits

A. Defined Benefit Retirement Plans

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

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

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

B. Defined Contribution Retirement Plans

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

C. Multi-Employer Plans

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

D. Short-Term Employee Benefits

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

(13) Provisions

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

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

(14) Equity

A. Common Stock and Capital Surplus

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

B. Treasury Stock

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

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

(15) Revenue

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

The content and amount related to impairment of non-financial assets are discussed in Note 31, "Impairment Loss".

- Estimates of Income Taxes

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

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

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

- Measurement of Defined Benefit Obligations in Defined Benefit Retirement Plans

Defined benefit obligations are computed based on actuarial calculations, and assumptions used in those actuarial calculations include estimates of discount rates, employee turnover, mortality rates, salary increase rates, etc. These assumptions are determined with all available information, such as market trends of interest rate fluctuations judged comprehensively. These assumptions may be affected by economic conditions and revisions of laws and regulations, and there is a risk that such effects may cause significant changes in the measurement of defined benefit obligations in subsequent fiscal years.

Details on measurement of defined benefit obligations in defined benefit retirement plans and the amounts are discussed in Note 23, “Employee Benefits”.

- Measurement of Provisions

The Group records asset retirement obligations as a provision in the consolidated statement of financial position. The amount recorded is the present value calculated by discounting the best estimate of expenditures required to settle the obligations, which takes into account risks and uncertainty as of the end of the fiscal year, at a pre-tax discount rate, reflecting risks inherent in the liabilities.

Although the amount of expenditures required to settle the obligations is calculated comprehensively taking into account future possible outcomes, this amount may be affected by unpredictable events or changes in situation. If the actual amount of payment differs from the estimate, or if there is any significant change in the discount rate for discounting the estimated expenditure due to changes in economic conditions and other factors, the amount recognized in subsequent fiscal years may be affected significantly.

The amount of recognized asset retirement obligations is discussed in Note 22, “Provisions”.

5. Segment Information

(1) Outline of Reportable Segments

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

The Group is organized into 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,” “Life Energy & Logistics Division,” and “Industrial Energy & Logistics 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 L 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, and photovoltaic power) and steam, the supply of district heating services, comprehensive energy services, electricity/heat supply services, and electricity supply/demand management services.

The Life Energy & Logistics Division is engaged in the sale of gasoline, kerosene, diesel oil, fuel oil, liquefied natural gas (“LNG”), coal, high-grade urea solution (AdBlue), automotive lubricants, automobiles and automobile products, motor-vehicle inspections, auto maintenance, the supply of rental cars, and the development and promotion of overseas businesses.

The Industrial Energy & Logistics Division is engaged in the sale of industrial energy and materials (gasoline, kerosene, diesel oil, and fuel oil), asphalt, 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; and the sale of recycled oil.

In the fiscal year ended March 31, 2018, the Car-Life Division and the sale of industrial fuels and materials and other operations in the Energy Innovation Division were integrated to form the Life Energy & Logistics Division, while the Energy Innovation Division was reorganized into the Industrial Energy & Logistics Division. As a result, effective from the fiscal year ended March 31, 2018, the Company reclassified its reportable segments.

Due to the change in segments, segment information for the previous fiscal year has been adjusted based on the new segment classifications used for the fiscal year ended March 31, 2018.

(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, 2017

(Millions of yen)

	Reportable segments						
	Home-Life	Power & Utility	Life Energy & Logistics	Industrial Energy & Logistics	Total	Adjustment	Consolidated
Revenue							
Revenue from external customers	86,484	62,827	479,568	66,181	695,060	–	695,060
Intersegment revenue	344	715	1,768	491	3,318	(3,318)	–
Total revenue	86,828	63,542	481,336	66,672	698,378	(3,318)	695,060
Gross profit	27,446	9,259	52,785	4,114	93,604	–	93,604
Selling, general and administrative expenses	(23,385)	(3,424)	(46,213)	(1,782)	(74,804)	107	(74,697)
Loss from tangible assets, intangible assets and goodwill	526	(253)	(1,238)	(16)	(981)	(1)	(982)
Other profit	244	1,058	431	12	1,745	8	1,753
Profit from operating activities	4,831	6,640	5,766	2,327	19,564	114	19,678
Financial income and costs	67	(307)	(506)	–	(746)	(88)	(834)
Share of profit of investments accounted for by the equity method	441	0	16	43	500	–	500
Profit before tax	5,339	6,333	5,276	2,370	19,318	26	19,344
Net profit attributable to Itochu Enex’s shareholders	2,823	3,407	2,571	1,649	10,450	(45)	10,405
Other items							
Depreciation and amortization	(3,475)	(3,264)	(3,207)	(610)	(10,556)	(300)	(10,856)
Impairment loss	(40)	–	(952)	–	(992)	–	(992)
Total assets	65,033	70,700	149,422	29,429	314,584	30,019	344,603
Investments accounted for by the equity method	7,682	3,530	387	150	11,749	–	11,749
Capital expenditures	3,683	2,990	1,787	540	9,000	1,058	10,058
Total trading transactions	90,768	65,654	725,481	147,036	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.

For the fiscal year ended March 31, 2018

(Millions of yen)

	Reportable segments						
	Home-Life	Power & Utility	Life Energy & Logistics	Industrial Energy & Logistics	Total	Adjustment	Consoli-dated
Revenue							
Revenue from external customers	93,592	74,541	488,399	88,235	744,767	–	744,767
Intersegment revenue	336	5,899	3,252	472	9,959	(9,959)	–
Total revenue	93,928	80,440	491,651	88,707	754,726	(9,959)	744,767
Gross profit	24,458	8,891	51,916	3,557	88,822	–	88,822
Selling, general and administrative expenses	(21,374)	(4,328)	(43,808)	(1,850)	(71,360)	429	(70,931)
Loss from tangible assets, intangible assets and goodwill	(75)	(288)	(680)	79	(964)	(580)	(1,544)
Other profit (loss)	269	351	583	18	1,221	(415)	806
Profit from operating activities	3,278	4,626	8,011	1,804	17,719	(566)	17,153
Financial income and costs	166	(316)	(518)	(25)	(693)	(110)	(803)
Share of profit (loss) of investments accounted for by the equity method	540	(180)	92	41	493	–	493
Gains on business reorganization and others	2,326	–	–	–	2,326	–	2,326
Profit before tax	6,310	4,130	7,585	1,820	19,845	(676)	19,169
Net profit attributable to Itochu Enex's shareholders	3,958	2,210	4,070	1,253	11,491	(466)	11,025
Other items							
Depreciation and amortization	(3,246)	(3,468)	(3,006)	(595)	(10,315)	(509)	(10,824)
Impairment loss	(132)	(13)	(710)	–	(855)	(574)	(1,429)
Total assets	66,089	80,189	165,406	44,352	356,036	26,585	382,621
Investments accounted for by the equity method	17,699	7,936	351	159	26,145	–	26,145
Capital expenditures	4,182	6,014	2,290	1,252	13,738	694	14,432
Total trading transactions	104,941	78,560	799,001	173,842	1,156,344	–	1,156,344

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

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

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

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

(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, 2017 and 2018.

(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, 2017 and 2018.

6. Business Combinations

For the fiscal year ended March 31, 2017

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

For the fiscal year ended March 31, 2018

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

7. Loss of Control of Subsidiaries

For the fiscal year ended March 31, 2017

There was no significant loss of control during the fiscal year ended March 31, 2017.

For the fiscal year ended March 31, 2018

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

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

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

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

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

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

(Millions of yen)

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

8. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2017 and 2018 were composed of cash and deposits.

9. Trade Receivables

The components of trade receivables are shown below:

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Trade receivables		
Trade receivables	89,929	113,043
Trade notes receivable	5,312	7,022
Allowance for credit losses	(482)	(524)
Total	94,759	119,541

10. Securities and Other Financial Assets

The components of other current financial assets are shown below:

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Other current financial assets		
Short-term loans receivable	1,283	1,108
Other accounts receivable	14,903	14,531
Derivative assets	80	1,570
Deposits paid	13,000	20,000
Other	443	1,651
Total	29,709	38,860

The components of other investments are shown below:

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Other investments		
FVTPL financial assets	269	289
FVTOCI financial assets	7,192	3,117
Total	7,461	3,406

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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Non-current financial assets other than investments		
Non-current loans receivable	425	345
Non-current lease receivables	2,545	2,471
Guarantee deposits	6,342	6,913
Other	1,984	2,216
Allowance for credit losses	(493)	(545)
Total	10,803	11,400

11. Inventories

The components of inventories are shown below:

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Merchandise and finished goods	27,078	28,305
Raw materials	77	75
Total	27,155	28,380

For the fiscal year ended March 31, 2018, the amount of inventories expensed as cost of sales was ¥638,227 million, compared with ¥580,591 million for the fiscal year ended March 31, 2017.

For the fiscal year ended March 31, 2018, the amount of inventories written down to net realizable value was ¥11 million, compared with ¥22 million for the fiscal year ended March 31, 2017. 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, 2017 and 2018 was ¥1,955 million and ¥2,344 million, respectively. The fair value is measured based on the amount obtained from a pricing service agency that was principally evaluated by the market approach and classified as Level 2.

12. Investments Accounted for by the Equity Method

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

(1) Investments in Associates and Joint Ventures

Total carrying amounts of investments in associates and joint ventures in the consolidated statement of financial position as of March 31, 2017 and 2018 are shown below:

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Associates	8,518	8,072
Joint ventures	3,231	18,073
Total	11,749	26,145

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

For investments in associates and joint ventures, the amounts of corresponding share of comprehensive income recorded in the fiscal years ended March 31, 2017 and 2018 are shown below:

A. Profit or Loss

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Associates	542	350
Joint ventures	(42)	143
Total	500	493

B. Other Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Associates	146	(61)
Joint ventures	78	(467)
Total	224	(528)

C. Total Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Associates	688	289
Joint ventures	36	(324)
Total	724	(35)

(3) Major Associates and Joint Ventures

Details of major associates and joint ventures are as follows:

As of March 31, 2017

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

As of March 31, 2018

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

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

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

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

JAPAN GAS ENERGY CORPORATION

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Current assets	38,857	37,955
Non-current assets	4,166	3,942
Current liabilities	29,814	27,179
Non-current liabilities	122	124
Equity	13,087	14,594

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Revenue	123,465	157,400
Net profit (loss)	1,146	1,774
Other comprehensive income	166	(13)
Comprehensive income	1,312	1,761
Dividends received by the Group	–	51

ENEARC Co., Ltd.

(Millions of yen)

	As of March 31, 2018
Current assets	15,324
Non-current assets	24,365
Current liabilities	16,010
Non-current liabilities	6,597
Equity	17,082

Cash and cash equivalents included in the above current assets are ¥3,951 million. Financial liabilities (excluding trade and other payables, and provisions) included in current liabilities are ¥6,750 million, and financial liabilities (excluding trade and other payables, and provisions) included in non-current liabilities are ¥4,662 million.

(Millions of yen)

	Fiscal year ended March 31, 2018
Revenue	32,693
Depreciation and amortization	(1,295)
Financial income	8
Financial costs	(15)
Income tax expense	1
Net profit (loss)	1,217
Other comprehensive income	(22)
Comprehensive income	1,195
Dividends received by the Group	–

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

JAPAN GAS ENERGY CORPORATION

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Net assets	13,087	14,594
The Group's share of net assets	2,617	2,919
Goodwill and consolidation adjustments	–	–
Carrying amounts of the Group's equity interest in JAPAN GAS ENERGY CORPORATION	2,617	2,919

ENEARC Co., Ltd.

(Millions of yen)

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

13. Property, Plant and Equipment

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

[Acquisition Cost]

(Millions of yen)

	Land	Buildings and structures	Machinery, equipment and vehicles	Vessels	Other	Construction in progress	Total
As of April 1, 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
Acquisition	–	1,408	1,311	143	1,227	6,775	10,864
Reclassification	22	1,771	3,844	415	317	(6,525)	(156)
Acquisition through business combinations	1,889	558	488	–	23	79	3,037
Decrease due to disposal and change in the scope of consolidation	(3,548)	(3,535)	(9,284)	–	(3,886)	(54)	(20,307)
Other	8	26	1,608	–	1,044	(358)	2,328
As of March 31, 2018	16,078	40,291	62,584	1,893	11,416	4,290	136,552

[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, 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)
Depreciation	–	(1,777)	(5,067)	(152)	(1,652)	–	(8,648)
Impairment loss	(52)	(529)	(143)	–	(272)	–	(996)
Reclassification	–	129	–	–	–	–	129
Decrease due to disposal and change in the scope of consolidation	104	2,173	8,075	–	2,182	–	12,534
Other	–	(401)	(424)	(3)	(219)	–	(1,047)
As of March 31, 2018	(139)	(15,085)	(28,092)	(650)	(7,260)	–	(51,226)

[Carrying Amount]

(Millions of yen)

	Land	Buildings and structures	Machinery, equipment and vehicles	Vessels	Other	Construction in progress	Total
As of March 31, 2017	17,516	25,383	34,084	840	5,392	4,373	87,588
As of March 31, 2018	15,939	25,206	34,492	1,243	4,156	4,290	85,326

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, 2017	7,216	1,879	100	1,203	10,398
As of March 31, 2018	6,737	1,740	86	1,463	10,026

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

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

The balance of property, plant and equipment includes property, plant and equipment of which disposal through transfer, sale, etc. is restricted in association with bank loans of ¥12,809 million and ¥12,535 million as of March 31, 2017 and 2018, respectively.

There were no borrowing costs capitalized in the fiscal years ended March 31, 2017 and 2018.

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

14. Investment Property

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

[Acquisition Cost]

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Balance at the beginning of the year	27,414	25,569
Acquisition	135	40
Expenditure after acquisition	142	351
Reclassification	94	156
Decrease due to disposal and change in the scope of consolidation	(2,390)	(4,268)
Other	174	158
Balance at the end of the year	25,569	22,006

[Accumulated Depreciation and Accumulated Impairment Loss]

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Balance at the beginning of the year	(14,152)	(13,583)
Depreciation	(323)	(245)
Impairment loss	(346)	(397)
Reclassification	(766)	(129)
Decrease due to disposal and change in the scope of consolidation	2,170	2,514
Other	(166)	–
Balance at the end of the year	(13,583)	(11,840)

The rental income from investment property for the fiscal years ended March 31, 2017 and 2018 was ¥3,473 million and ¥3,061 million, respectively, which was included in revenue in the consolidated statement of comprehensive income. The direct operating expenses incurred incidental to rental income were ¥1,521 million and ¥1,460 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, 2017	11,986	11,730
As of March 31, 2018	10,166	10,129

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

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

15. Goodwill and Intangible Assets

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

[Acquisition Cost]

(Millions of yen)

	Goodwill	Relationships with customers	Brand and relationships with suppliers	Other	Total
As of April 1, 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
Acquisition	–	1,568	–	869	2,437
Acquisition through business combinations	171	288	–	12	471
Decrease due to disposal and change in the scope of consolidation	–	(4,062)	–	(620)	(4,682)
Other	(41)	69	–	(42)	(14)
As of March 31, 2018	692	10,677	11,069	4,038	26,476

[Accumulated Amortization and Accumulated Impairment Loss]

(Millions of yen)

	Goodwill	Relationships with customers	Brand and relationships with suppliers	Other	Total
As of April 1, 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)
Amortization	–	(1,068)	(276)	(586)	(1,930)
Impairment loss	–	–	–	(3)	(3)
Decrease due to disposal and change in the scope of consolidation	–	448	–	547	995
Other	29	4	–	12	45
As of March 31, 2018	–	(2,576)	(1,061)	(1,349)	(4,986)

[Carrying Amount]

(Millions of yen)

	Goodwill	Relationships with customers	Brand and relationships with suppliers	Other	Total
As of March 31, 2017	533	10,854	10,284	2,500	24,171
As of March 31, 2018	692	8,101	10,008	2,689	21,490

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, 2017	2
As of March 31, 2018	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 relationships with customers recognized in the business combination with TOKYO TOSHI SERVICE COMPANY (as of March 31, 2017: ¥3,343 million, and March 31, 2018: ¥3,222 million) and brand and relationships with suppliers recognized in the business combination with Osaka Car Life Group Co., Ltd. (as of March 31, 2017: ¥10,284 million, and March 31, 2018: ¥10,008 million). The remaining amortization periods of these intangible assets as of March 31, 2017 and 2018, are 22 to 37 years and 21 to 36 years, respectively, for relationships with customers, and 37 years and 36 years, respectively, for brand and relationships with suppliers.

There were no intangible assets pledged as collateral as of March 31, 2017 and 2018.

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, 2017: 4.0%, and March 31, 2018: 3.6%).

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.

16. Leases

(1) Lessee

A. Finance Leases

The total future minimum lease payments under finance leases and the present value thereof as of March 31, 2017 and 2018 are shown below:

(Millions of yen)

	Total future minimum lease payments		Present value of total future minimum lease payments	
	As of March 31, 2017	As of March 31, 2018	As of March 31, 2017	As of March 31, 2018
Not later than 1 year	2,020	1,887	1,829	1,706
Later than 1 year and not later than 5 years	4,949	5,332	4,348	4,760
Later than 5 years	4,993	4,503	4,519	4,099
Total	11,962	11,722	10,696	10,565
Less: Accrued financial costs	(1,266)	(1,157)		
Present value of total future minimum lease payments	10,696	10,565		

The total of future minimum sublease payments expected to be received under noncancelable subleases as of March 31, 2017 and 2018 were ¥452 million and ¥676 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, 2017 and 2018 are shown below:

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Not later than 1 year	1,989	1,807
Later than 1 year and not later than 5 years	2,212	3,720
Later than 5 years	1,436	1,874
Total	5,637	7,401

As of March 31, 2017 and 2018, lease payments recognized as expenses under cancelable or noncancelable operating leases were ¥13,237 million and ¥12,453 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, 2017 and 2018 are shown below:

(Millions of yen)

	Total future minimum lease payments		Present value of total future minimum lease payments	
	As of March 31, 2017	As of March 31, 2018	As of March 31, 2017	As of March 31, 2018
Not later than 1 year	362	486	355	472
Later than 1 year and not later than 5 years	1,240	1,368	1,226	1,333
Later than 5 years	1,319	1,139	1,319	1,139
Total	2,921	2,993	2,900	2,944
Less: Unearned financial income	(21)	(49)		
Present value of total future minimum lease payments receivable	2,900	2,944		

17. Deferred Taxes and Income Taxes

(1) Deferred Taxes

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

(Millions of yen)

	As of April 1, 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.

(Millions of yen)

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

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

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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Deferred tax assets	11,359	10,502
Deferred tax liabilities	1,961	2,185

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, 2017	As of March 31, 2018
Deductible temporary differences	2,388	2,216
Unused tax loss carryforwards	1,094	2,499
Total	3,482	4,715

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, 2017	As of March 31, 2018
First year	–	–
Second year	–	–
Third year	–	–
Fourth year	0	49
Fifth year or later	1,094	2,450
Total	1,094	2,499

(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, 2017	Fiscal year ended March 31, 2018
Current tax expense	(6,601)	(5,080)
Deferred tax expense		
Recognition and reversal of temporary differences	2	(865)
Total deferred tax expense	2	(865)
Income tax expense	(6,599)	(5,945)

The Company is subject principally to corporate income taxes, inhabitant taxes, and business taxes. The effective statutory tax rates based on these taxes were 30.9% for the fiscal year ended March 31, 2017, and 30.9% for the fiscal year ended March 31, 2018. 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, 2017	Fiscal year ended March 31, 2018
Effective statutory tax rate	30.9%	30.9%
Effect of expenses not deductible permanently	1.4	1.3
Other	1.8	(1.2)
Effective income tax rate after application of tax-effect accounting	34.1	31.0

18. Bonds and Borrowings

The components of bonds and borrowings are shown below:

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018	Average interest rate (%) (Note 1)	Repayment date
Short-term borrowings	1,667	10,317	0.179	–
Current portion of non-current borrowings	7,651	2,115	1.187	–
Non-current borrowings (excluding current portion)	16,741	15,302	1.513	March 2020–October 2037
Bonds payable (excluding current portion) (Note 2)	14,961	14,971	(Note 2)	(Note 2)
Total	41,020	42,705	–	–
Current liabilities	9,318	12,432		
Non-current liabilities	31,702	30,273		
Total	41,020	42,705		

(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, 2017	As of March 31, 2018	Interest rate (%)	Collateral	Maturity date
ITOCHU Enex Co., Ltd.	Series 13 Unsecured Bonds	May 22, 2012	4,992	4,996	0.736	Unsecured	May 22, 2019
ITOCHU Enex Co., Ltd.	Series 14 Unsecured Bonds	May 22, 2012	9,969	9,975	1.202	Unsecured	May 20, 2022
Total	–	–	14,961	14,971	–	–	–

19. Trade Payables

The components of trade payables are shown below:

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Trade payables	96,655	120,531
Notes payable	66	113
Other payables	5,181	6,801
Total	101,902	127,445

20. Other Financial Liabilities

The components of other current financial liabilities are shown below:

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Lease obligations	1,829	1,706
Other payables (Non-operating)	4,140	2,178
Deposits received	2,669	2,371
Derivative liabilities	81	1,447
Other	–	837
Total	8,719	8,539

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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Long-term lease obligations	8,867	8,859
Guarantee deposits received	14,858	13,805
Derivative liabilities	776	671
Total	24,501	23,335

21. Other Current Liabilities

The components of other current liabilities are shown below:

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Short-term obligations on employee benefits	7,827	7,378
Current provisions (Note)	37	42
Accrued expenses	2,343	3,000
Other	1,887	1,860
Total	12,094	12,280

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

22. Provisions

The components of changes in provisions are shown below:

(Millions of yen)

	Provision for asset retirement obligations	Other	Total
As of April 1, 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
Increase during the year	212	2	214
Amount used during the year (utilization)	(298)	(6)	(304)
Increase due to passage of time	95	–	95
Other	(337)	42	(295)
As of March 31, 2018	4,755	44	4,799

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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Current liabilities (Note)	37	42
Non-current liabilities	5,052	4,757
Total	5,089	4,799

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

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

23. Employee Benefits

(1) Post-Employment Benefits

A. Outline of Post-Employment Benefit Plans Adopted

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

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

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

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

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

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

B. Defined Benefit Retirement Plans

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

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Balance at the beginning of the year	18,381	17,738
Service cost	819	895
Interest expense	74	94
Remeasurement		
Changes in demographic assumptions	104	172
Changes in financial assumptions	(257)	39
Benefits paid	(1,383)	(1,340)
Effect of business combinations and disposals	–	118
Balance at the end of the year	17,738	17,716

(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, 2017	Fiscal year ended March 31, 2018
Balance at the beginning of the year	8,254	8,220
Interest income	34	48
Remeasurement		
Return on plan assets	165	870
Contributions by the employer	(151)	111
Benefits paid	(82)	(340)
Balance at the end of the year	8,220	8,909

The Company and certain subsidiaries will make contributions of ¥258 million in the fiscal year ending March 31, 2019.

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

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Balance at the beginning of the year	–	–
Change in the effect of limiting a net defined benefit asset to the asset ceiling	–	(493)
Balance at the end of the year	–	(493)

The composition of the Group's plan assets by asset category as of March 31, 2017 and 2018 is shown below:

(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

(Millions of yen)

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

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

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

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

Defined benefit obligations are calculated by discounting the amount of benefits that are deemed to have been incurred to date, over the remaining service period up to the time of payment. Because the timing of payment affects the amounts of defined benefit obligations and service cost, International Accounting Standard 19, "Employee Benefits" requires an entity to disclose information on the timing of incurrence of benefits. The Group believes that disclosure of weighted duration of defined benefit obligations that represents the average period taking into account benefit amount, timing, and discount is useful information to meet this requirement. The Company's weighted duration of defined benefit obligations was 13 years in the fiscal year ended March 31, 2017, and 13 years in the fiscal year ended March 31, 2018.

The assumption of defined benefit obligations is shown below:

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Discount rate	0.5 – 0.7%	0.5 – 0.6%

In the assumption of actuarial calculation described above, the calculation for defined benefit retirement plans is susceptible to the effects of the assumption of discount rate. If the discount rate had changed by 0.25% as of March 31, 2018, the effect on defined benefit obligations would be ¥387 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 ¥776 million and ¥686 million for the fiscal years ended March 31, 2017 and 2018, respectively.

D. Extra Retirement Payments

The Company made extra retirement payments of ¥512 million and ¥305 million for the fiscal years ended March 31, 2017 and 2018, 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, 2017 and 2018 was ¥47,150 million and ¥45,442 million, respectively.

24. Common Stock, Capital Surplus, and Retained Earnings

(1) Common Stock

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

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

(Shares)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
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	3,891,809	3,892,374
Increase (decrease) during the year	565	109,761
Balance at the end of the year	3,892,374	4,002,135

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

(2) Capital Surplus and Retained Earnings

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

The Companies Act imposes a certain restriction on the amount available for distribution in association with dividends of surplus or acquisition of treasury stock. The amount available for distribution is determined based on retained earnings, among others, in the Company's separate financial statements calculated in accordance with Japanese Generally Accepted Accounting Principles ("GAAP"). The Company's amount available for distribution was ¥62,505 million as of March 31, 2018 (however, this amount available for distribution may change due to subsequent acquisition of treasury stock and other factors).

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

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

25. Other Components of Equity and Other Comprehensive Income

(1) Other Components of Equity

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

(Millions of yen)

Classification	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
FVTOCI financial assets		
Balance at the beginning of the year	(898)	(487)
Increase (decrease) during the year	78	883
Reclassification to retained earnings	333	110
Balance at the end of the year	(487)	506
Remeasurement of net defined benefit liability		
Balance at the beginning of the year	–	–
Increase (decrease) during the year	85	35
Reclassification to retained earnings	(85)	(35)
Balance at the end of the year	–	–
Exchange differences on translating foreign operations		
Balance at the beginning of the year	219	236
Increase (decrease) during the year	17	(205)
Balance at the end of the year	236	31
Cash flow hedges		
Balance at the beginning of the year	(1,685)	(1,404)
Increase (decrease) during the year	281	(278)
Balance at the end of the year	(1,404)	(1,682)
Other components of equity		
Balance at the beginning of the year	(2,364)	(1,655)
Increase (decrease) during the year	461	435
Reclassification to retained earnings	248	75
Balance at the end of the year	(1,655)	(1,145)

(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, 2017			Fiscal year ended March 31, 2018		
	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	111	(33)	78	1,282	(390)	892
Increase (decrease) during the year	111	(33)	78	1,282	(390)	892
Remeasurement of net defined benefit liability						
Amount arising during the year	312	(106)	206	160	(55)	105
Increase (decrease) during the year	312	(106)	206	160	(55)	105
Exchange differences on translating foreign operations						
Amount arising during the year	(37)	–	(37)	(38)	–	(38)
Increase (decrease) during the year	(37)	–	(37)	(38)	–	(38)
Cash flow hedges						
Amount arising during the year	16	(5)	11	(30)	8	(22)
Reclassification adjustments to profit	139	(39)	100	134	(38)	96
Increase (decrease) during the year	155	(44)	111	104	(30)	74
Other comprehensive income of investments accounted for by the equity method						
Amount arising during the year	222	–	222	(630)	–	(630)
Reclassification adjustments to profit	2	–	2	102	–	102
Increase (decrease) during the year	224	–	224	(528)	–	(528)
Total other comprehensive income	765	(183)	582	980	(475)	505

26. Dividends

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

Dividends paid for the fiscal years ended March 31, 2017 and 2018 are shown below:

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

For the fiscal year ended March 31, 2018

(1) Dividends Paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 21, 2017	Ordinary shares	2,090	18.5	March 31, 2017	June 22, 2017
Board of Directors' meeting held on October 31, 2017	Ordinary shares	1,808	16	September 30, 2017	December 4, 2017

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

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

27. Financial Instruments

(1) Capital Management

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

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

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

(2) Financial Risk Management Policy

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

In accordance with the Group's policy, its fund management is limited to short-term deposits, etc., and the Group depends on bank loans, among others, for raising funds. The Group utilizes derivatives for the purpose of hedging risks of changes in market conditions, and interest rate and exchange fluctuations, but does not enter into such transactions for speculative purposes.

(3) Credit Risk Management

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

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

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

When collateral held and other credit enhancements are not taken into account, the Group's maximum exposure to credit risks is the carrying amount after impairment of financial assets presented in the consolidated financial statements.

The analysis of the age of financial assets that are past due, but not impaired as of March 31, 2017 and 2018, 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, 2017					
Trade receivables	91	–	–	2	93
Non-current receivables	–	–	–	–	–
Total	91	–	–	2	93
As of March 31, 2018					
Trade receivables	76	–	–	1	77
Non-current receivables	–	–	–	–	–
Total	76	–	–	1	77

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, 2017 and 2018 are shown below:

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Balance at the beginning of the year	946	975
Increase during the year	471	273
Decrease during the year (Utilization)	(83)	(16)
Decrease during the year (Reversal)	(276)	(317)
Other increase (decrease)	(83)	154
Balance at the end of the year	975	1,069

In the fiscal years ended March 31, 2017 and 2018, 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 ¥928 million and ¥1,167 million, respectively, and allowance for credit losses provided against these receivables was ¥662 million and ¥639 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 costs while diversifying funding sources and financing methods.

A. Non-Derivative Financial Liabilities

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

As of March 31, 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

As of March 31, 2018

(Millions of yen)

	Carrying amount	Contractual cash flows	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years
Trade payables	127,445	127,445	127,445	–	–
Short-term bonds and borrowings					
Short-term borrowings	10,317	10,317	10,317	–	–
Current portion of non-current borrowings	2,115	2,115	2,115	–	–
Non-current bonds and borrowings					
Non-current borrowings	15,302	15,433	–	8,985	6,448
Bonds payable	14,971	15,000	–	15,000	–
Total	170,150	170,310	139,877	23,985	6,448

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, 2017				
Interest rate derivatives	–	–	776	776
Currency derivatives	25	–	–	25
Commodity derivatives	56	–	–	56
Total	81	–	776	857
As of March 31, 2018				
Interest rate derivatives	–	–	671	671
Currency derivatives	127	–	–	127
Commodity derivatives	1,320	–	–	1,320
Total	1,447	–	671	2,118

(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, 2017 and 2018 is shown below:

		As of March 31, 2017	As of March 31, 2018
Short-term foreign exchange balance	(Millions of yen) [Thousands of U.S. dollars]	8 [75]	(89) [(840)]

(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, 2017	Fiscal year ended March 31, 2018
Profit before tax		
U.S. dollar	0	1

B. Interest Rate Risk Management

The Group is exposed to interest rate fluctuation risks in raising and managing funds accompanying investment activities and operating transactions. In addition, fixed-rate debt obligations are exposed to risks of fluctuations in fair value due to fluctuations in interest rates. The Group works to quantify interest rate risks to appropriately control volatility in profit or loss due to interest rate fluctuations. Specifically, the Group strives to reduce interest rate risks by conducting hedging transactions through interest rate swaps.

Interest Rate Sensitivity Analysis

The table below shows the effect on the Group's profit before tax of gains or losses arising from instruments affected by interest rate fluctuations, if the interest rate increases 1% in the fiscal years ended March 31, 2017 and 2018. This analysis is calculated by multiplying the net balance of floating-rate financial instruments held by the Group as of March 31, 2017 and 2018, 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, 2017	Fiscal year ended March 31, 2018
Profit before tax	(14)	(90)

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, 2017	Fiscal year ended March 31, 2018
Profit before tax	81	87

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, 2017	Fiscal year ended March 31, 2018
Other comprehensive income	(661)	(255)

(6) Fair Value of Financial Instruments

A. Method of Fair Value Measurement

Fair values of major financial assets and financial liabilities are determined as follows. In measurement of fair value of financial instruments, market prices are used when available. For financial instruments of which market prices are unavailable, the fair value is measured by discounting future cash flows or by other appropriate valuation methods.

Cash and cash equivalents

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

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

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

Other current financial assets (securities) and other investments

The fair value of marketable securities is based on quoted prices on the stock exchange. The fair value of non-marketable securities is principally measured by the net asset approach, whereby the fair value is calculated by referring to the fair values of assets and liabilities held by the investee company.

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

The fair value of non-current loans receivable is measured by discounting future cash flows using interest rates offered for loans or credit with the same remaining maturities and the same terms to borrowers or customers with similar credit ratings.

Other current financial assets (derivatives), other current financial liabilities (derivatives), and other non-current financial liabilities (derivatives)

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

Bonds and borrowings

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

B. Financial Instruments Measured at Amortized Cost

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

(Millions of yen)

	As of March 31, 2017		As of March 31, 2018	
	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)	501	509	408	413
Financial liabilities measured at amortized cost:				
Bonds and borrowings	41,020	42,240	42,705	43,733

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, 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

(Millions of yen)

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

There were no transfers between Level 1, Level 2, and Level 3 in the fiscal years ended March 31, 2017 and 2018.

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, 2017		Fiscal year ended March 31, 2018	
	FVTPL	FVTOCI	FVTPL	FVTOCI
Balance at the beginning of the year	–	1,068	269	586
Total gains or losses (realized/unrealized)				
Other comprehensive income	–	7	–	13
Purchase	–	21	271	–
Sale	–	(14)	–	–
Redemption/other	269	(496)	(251)	(36)
Balance at the end of the year	269	586	289	563

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, 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

As of March 31, 2018

(Millions of yen)

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

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, 2017 and 2018 are shown below:

(Millions of yen)

Fiscal year ended March 31, 2017		Fiscal year ended March 31, 2018	
Fair value at date of sale	Accumulated gains (losses)	Fair value at date of sale	Accumulated gains (losses)
464	(306)	5,418	(160)

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 ¥333 million and negative ¥110 million for the fiscal years ended March 31, 2017 and 2018, respectively.

C. Dividends Received

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Investments derecognized during the year	12	211
Investments held at the end of the year	234	85
Total	246	296

(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, 2017 and 2018, 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, 2018, the notional amount balance for interest rate swaps as hedging instruments was ¥9,735 million, and the period when the cash flows are expected to occur and when they are expected to affect profit or loss is 14 years. The average of interest rates hedged with the interest rate swaps is 1.8%.

As of March 31, 2017 and 2018, 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, 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	–

(Millions of yen)

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

As of March 31, 2017 and 2018, 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, 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)

(Millions of yen)

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

(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, 2017 and 2018 are shown below:

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
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

As of March 31, 2018

(Millions of yen)

	Total amount of financial assets	Total amount of financial liabilities offset	Net amount of financial assets presented in the consolidated statement of financial position	Amount of financial assets that do not meet requirements for offsetting	Amount of collateral received	Net amount
Financial assets:						
Trade receivables	8,521	2,143	6,378	2,929	–	3,449
Total	8,521	2,143	6,378	2,929	–	3,449

(Millions of yen)

	Total amount of financial liabilities	Total amount of financial assets offset	Net amount of financial liabilities presented in the consolidated statement of financial position	Amount of financial liabilities that do not meet requirements for offsetting	Amount of collateral provided	Net amount
Financial liabilities:						
Trade payables	6,933	2,143	4,790	2,929	–	1,861
Total	6,933	2,143	4,790	2,929	–	1,861

28. Revenue

The components of revenue are shown below:

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Revenue from sales of merchandise	659,599	710,734
Other	35,461	34,033
Total	695,060	744,767

29. Selling, General and Administrative Expenses

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

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Personnel expense	39,356	36,766
Rent expense	10,416	9,546
Depreciation and amortization	5,594	5,492
Commission fee	6,860	6,861
Traveling expense	1,389	1,459
Taxes and dues	1,702	1,577
Other	9,380	9,230
Total	74,697	70,931

30. Profit or Loss from Tangible Assets, Intangible Assets, and Goodwill

The components of profit or loss from tangible assets, intangible assets, and goodwill are shown below:

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Gain on sales	1,175	985
Loss on sales	(621)	(374)
Loss on disposal	(544)	(718)
Impairment loss	(992)	(1,429)
Other	–	(8)
Total	(982)	(1,544)

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

31. Impairment Loss

The components of impairment loss are as follows.

Impairment loss was recognized in loss from tangible assets, intangible assets, and goodwill in the consolidated statement of comprehensive income.

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Property, plant and equipment		
Buildings and structures	404	529
Machinery, equipment and vehicles	96	143
Land	66	52
Other	19	272
Intangible assets		
Software	2	–
Other	4	3
Investment property	346	397
Other	55	33
Total	992	1,429

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, 2017 and 2018, there was no individually significant impairment loss.

Major impairment losses in the fiscal years ended March 31, 2017 and 2018 are on property, plant and equipment belonging to the Life Energy & Logistics Division. These impairment losses were incurred due to reduction of the carrying amount of the assets to the recoverable amount, as a result of decreased profitability caused by changes in the business environment and other factors.

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

32. Other Profit or Loss

The components of other – net of other income and expenses are shown below:

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Commission fee	165	194
Compensation income for expropriation	78	367
Sale of shares	1,081	–
Compensation income received	411	269
Other	754	1,176
Total income	2,489	2,006
Foreign exchange losses (Note)	(31)	(31)
Other	(705)	(1,169)
Total expenses	(736)	(1,200)
Total	1,753	806

(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, 2017 and 2018, net gain or loss on valuation of commodity-related derivatives was recognized at ¥36 million and ¥246 million, respectively, in revenue and cost of sales.

33. Financial Income and Costs

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

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Interest income		
Financial assets measured at amortized cost	88	82
Other	1	10
Subtotal	89	92
Dividends received		
FVTOCI financial assets	246	296
Subtotal	246	296
Interest expense		
Financial liabilities measured at amortized cost	(917)	(863)
Other	(49)	(87)
Subtotal	(966)	(950)
Other financial income (costs)		
FVTPL financial assets	(203)	(241)
Subtotal	(203)	(241)
Total	(834)	(803)

34. Earnings per Share

Basic earnings per share for the fiscal years ended March 31, 2017 and 2018 were calculated as follows:

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net profit attributable to Itochu Enex's shareholders (Millions of yen)	10,405	11,025
Weighted-average number of ordinary shares outstanding (Thousands of shares)	112,989	112,921
Basic earnings per share attributable to Itochu Enex's shareholders (Yen)	92.09	97.63

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

35. Cash Flow Information

Supplementary information about cash flows is shown below.

(1) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are shown below:

As of March 31, 2018

(Millions of yen)

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

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

(2) Acquisition of subsidiaries

The major components of assets and liabilities related to companies that newly became subsidiaries at the time of acquisition of control and reconciliation between consideration paid and net payment from the acquisition are shown below:

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Components of assets at time of acquisition of control		
Current assets	766	2,808
Non-current assets	171	4,587
Components of liabilities at time of acquisition of control		
Current liabilities	(99)	(3,082)
Non-current liabilities	(444)	(937)

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Consideration paid	(705)	(4,396)
Cash and cash equivalents included in assets at time of acquisition of control	60	645
Net payment from acquisition of subsidiaries	(645)	(3,751)

(3) 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, 2017	Fiscal year ended March 31, 2018
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)	–

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Consideration received	3,001	–
Cash and cash equivalents included in assets at time of loss of control	–	–
Net proceeds from sales of subsidiaries	3,001	–

(4) Loss of control of subsidiaries

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

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Components of assets at time of loss of control		
Current assets	–	5,105
Non-current assets	–	11,721
Components of liabilities at time of loss of control		
Current liabilities	–	(8,134)
Non-current liabilities	–	(1,195)

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash and cash equivalents included in assets at time of loss of control	–	(598)

36. Non-Cash Transactions

Significant Non-Cash Transactions

The amount of assets acquired under finance leases is ¥1,897 million and ¥2,415 million for the fiscal years ended March 31, 2017 and 2018, respectively.

37. Related Parties

(1) Compensation for Key Management Personnel

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

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Short-term compensation	363	354
Total	363	354

(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, 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

For the fiscal year ended March 31, 2018

(Millions of yen)

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

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

38. Parent, Subsidiaries, and Associates

The Company's parent is ITOCHU Corporation, which is located in Japan.

The status of major subsidiaries as of March 31, 2018 is shown below:

In the fiscal year ended March 31, 2018, 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 NISHI-NIHON CO., LTD.	Naka-ku, Hiroshima City, Hiroshima	100.0
Nissho Propane Sekiyu Co., Ltd.	Chuo-ku, Sapporo City, Hokkaido	100.0
Itochu Industrial Gas Co., Ltd.	Minato-ku, Tokyo	100.0
ITOCHU ENEX HOME-LIFE TOHOKU CO., LTD.	Miyagino-ku, Sendai City, Miyagi	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
ENEX LIFE SERVICE CO., LTD.	Minato-ku, Tokyo	100.0
Life Energy & Logistics Division		
ENEX FLEET CO., LTD.	Yodogawa-ku, Osaka City, Osaka	100.0
KOKURA ENTERPRISE ENERGY CO., LTD.	Kokurakita-ku, Kitakyushu City, Fukuoka	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
39 other companies		–

39. Commitments

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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Acquisition of property, plant and equipment	11,344	12,766
Total	11,344	12,766

40. Contingent Liabilities

The Group provides various forms of guarantees for general business partners. When a guaranteed entity defaults, payment obligations are assumed by the Group. The Group's total amount and actual amount of guarantees provided for general business partners as of March 31, 2017 and 2018 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, 2017	As of March 31, 2018
Guarantees on distributors' payment of gas oil delivery tax		
Total amount of guarantees	7	–
Actual amount of guarantees	1	–
Guarantees for other transactions (Note)		
Total amount of guarantees	1,147	184
Actual amount of guarantees	871	135
Total		
Total amount of guarantees	1,154	184
Actual amount of guarantees	872	135

(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 that may have a negative impact on the Group's financial position and operating results.

41. Collateral

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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets pledged as collateral		
Trade receivables	80	95
Investments accounted for by the equity method	–	2,312
Other investments	13	16
Non-current financial assets other than investments	1,206	1,469
Property, plant and equipment	12,809	12,535
Total	14,108	16,427
Corresponding debts		
Short-term bonds and borrowings	868	967
Trade payables	228	257
Non-current bonds and borrowings	9,645	8,852
Total	10,741	10,076

In addition to the above, other investments pledged as substitute for brokerage margin payments for commodity futures transactions as of March 31, 2017 and 2018 were ¥1,589 million and ¥1,772 million, respectively.

42. Events after the Reporting Period

No items to report.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statement of financial position of ITOCHU ENEX CO., LTD. and its consolidated subsidiaries as of March 31, 2018, 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, 2018, 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 20, 2018

Member of
Deloitte Touche Tohmatsu Limited

Stock information

As of March 31, 2018

Shares and shareholders

Authorized shares	387,250,000
Number of shares issued and outstanding	116,881,106
Number of shareholders	8,061
Number of shares per trading unit	100

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

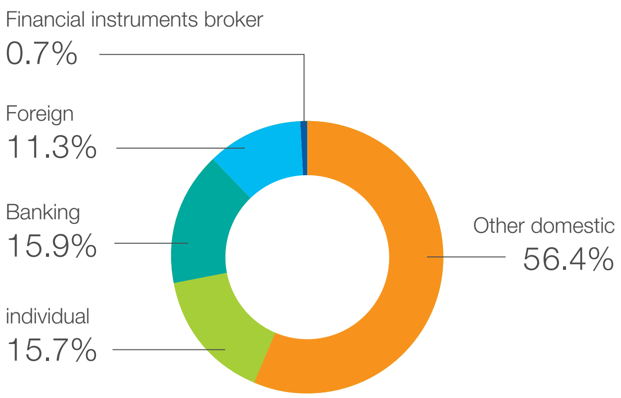
List of shareholders managed by:
Sumitomo Mitsui Trust Bank, Ltd., Stock Transfer Agency Business Planning Dept.

Principal Shareholders

Name	Shares (thousand)	Stake (%)
ITOCHU Corporation	60,978	53.97
Japan Trustee Services Bank, Ltd. (trust account)	4,504	3.99
The Master Trust Bank of Japan, Ltd. (trust account)	4,174	3.69
Enex Fund	3,025	2.68
Japan Trustee Services Bank, Ltd. (trust account 9)	2,207	1.95
JXTG Holdings, Inc.	2,010	1.78
Nippon Life Insurance Co.	1,542	1.36
GOVERNMENT OF NORWAY	1,411	1.25
Itochu Enex Employee Stock Ownership Plan	1,239	1.10
MAEDA ROAD CONSTRUCTION Co., Ltd	957	0.85

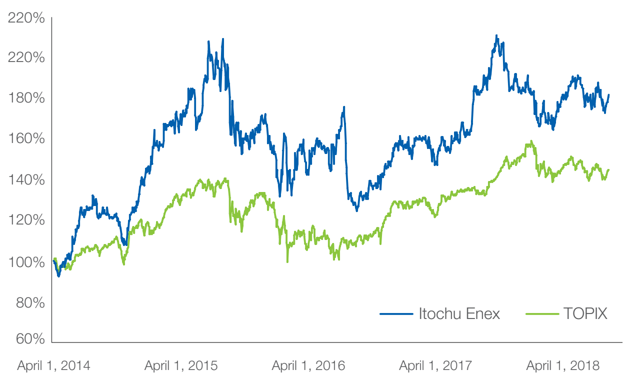
* Excluding treasury stock (3,893 thousand shares)

Shareholding ratio by owners



Share price trend

Selected as a constituent of the FY2018 JPX-Nikkei Mid and Small Cap Index.



Corporate overview

As of March 31, 2018

Company name	ITOCHU ENEX CO.,LTD.
Head office address	2-10-1, Toranomon, Minato-ku, Tokyo 105-8430, Japan *Planned to move to the following (February 2019–) 3-2-5, Kasumigaseki, Chiyoda-ku, Tokyo, 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	53
Affiliates (equity method applied)	21
Number of employees	656 (non-consolidated basis, including 205 at subsidiaries) 5,613 (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.

■ **Detailed company information is released on our website.**
URL: https://www.itcenex.com/english

■ **Company CM is also published on the website.**
URL: https://www.itcenex.com/corporate/commercial/

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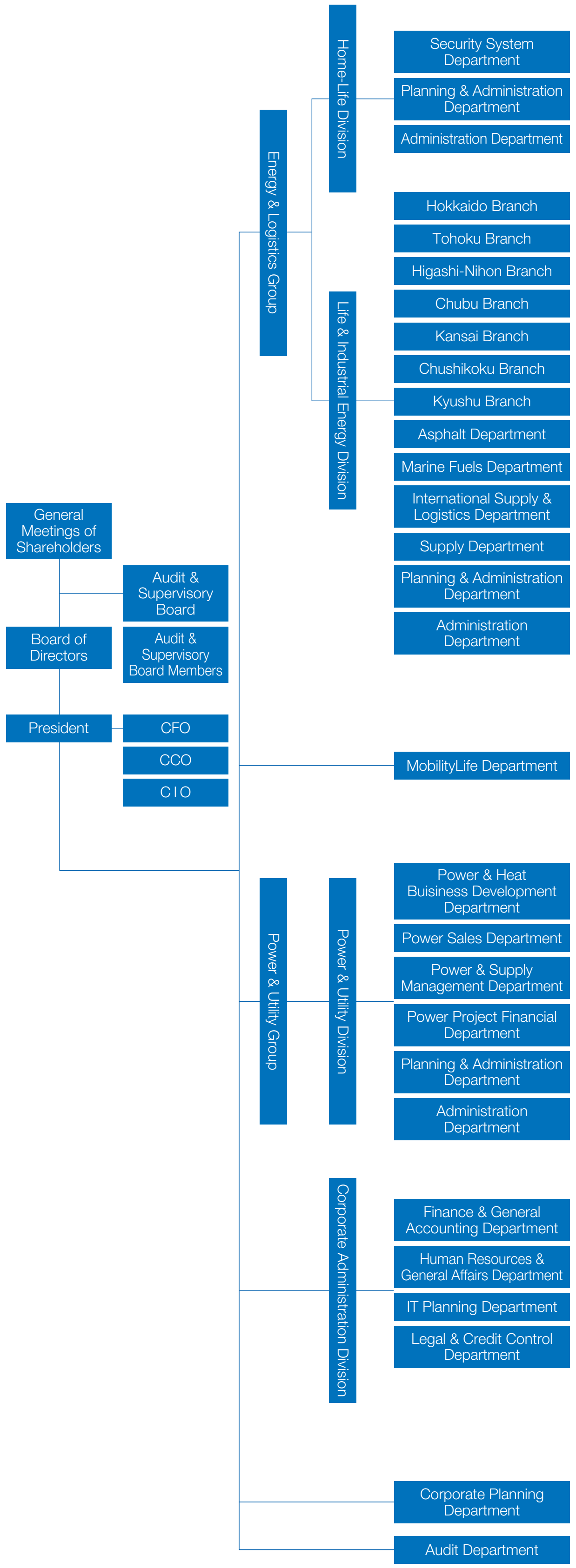
Organization Chart

As of April 1, 2018



ITOCHU ENEX CO.,LTD.
https://www.itcenex.com/english/

Published in September 2018