

This document is an English translation of financial results report released on April 28, 2017 and written initially in Japanese. The Japanese original should be considered as the primary version.



April 28, 2017

Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 <under IFRSs>

Company name: **Itochu Enex Co., Ltd.**
 Listing: Tokyo Stock Exchange, 1st Section
 Stock code: 8133
 URL: <http://www.itcenex.com/english/>
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Scheduled date of ordinary general meeting of shareholders:	June 21, 2017
Scheduled date to commence dividend payments:	June 22, 2017
Scheduled date to file annual securities report:	June 21, 2017
Preparation of supplementary results briefing material on financial results:	None
Holding of quarterly financial results presentation meeting:	Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts rounded, unless otherwise noted)

1. Consolidated financial results for the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Total trading transactions		Profit from operating activities		Profit before tax		Net profit		Net profit attributable to Itochu Enex's shareholders		Comprehensive income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2017	1,028,939	(4.0)	19,678	20.1	19,344	28.9	12,745	42.2	10,405	39.3	13,327	92.4
March 31, 2016	1,071,629	(22.0)	16,384	25.1	15,004	23.4	8,964	37.3	7,469	35.7	6,927	(2.2)

	Basic earnings per share attributable to Itochu Enex's shareholders	Diluted earnings per share attributable to Itochu Enex's shareholders	Return on Equity obtained as the net profit attributable to Itochu Enex's shareholders to total shareholders' equity	Ratio of profit before tax to total assets	Ratio of profit from operating activities to total trading transactions
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2017	92.09	—	10.0	6.0	1.9
March 31, 2016	66.10	—	7.5	4.7	1.5

Reference: Share of profit (loss) of investments accounted for using equity method

For the fiscal year ended March 31, 2017: 500 million yen

For the fiscal year ended March 31, 2016: (672) million yen

Note: "Total trading transactions" are presented in accordance with the Japanese accounting practices and represent the total amounts of transactions that the Company and its subsidiaries conducted as a party in contracts and for which they acted as an agent.

(2) Consolidated financial position

	Total assets	Total equity	Total shareholders' equity	Ratio of shareholders' equity to total assets	Shareholders' equity per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
March 31, 2017	344,603	127,477	108,511	31.5	960.37
March 31, 2016	304,053	117,162	100,526	33.1	889.70

(3) Consolidated cash flows

	Net cash flows from (used in) operating activities	Net cash flows from (used in) investing activities	Net cash flows from (used in) financing activities	Cash and cash equivalents at end of the period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2017	17,831	(14,712)	(1,195)	22,727
March 31, 2016	30,322	(16,673)	(9,059)	20,824

2. Cash dividends

	Annual cash dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of total amount of dividends to total shareholders' equity (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2016	—	12.00	—	12.00	24.00	2,712	36.3	2.7
March 31, 2017	—	13.50	—	18.50	32.00	3,616	34.8	3.5
Fiscal year ending March 31, 2018 (Forecast)	—	16.00	—	16.00	32.00		34.8	

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2018
(from April 1, 2017 to March 31, 2018)

(Percentages indicate year-on-year changes.)

	Total trading transactions		Profit from operating activities		Profit before tax		Net profit attributable to Itochu Enex's shareholders		Basic earnings per share attributable to Itochu Enex's shareholders
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2017	—	—	—	—	—	—	—	—	—
Fiscal year ending March 31, 2018	1,150,000	11.8	16,500	(16.2)	17,800	(8.0)	10,400	(0.0)	92.05

Note: The Company's performance is evaluated on a fiscal year basis. Accordingly, consolidated earnings forecasts for the first six months of fiscal year are not prepared.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates

- | | |
|---|------|
| a. Changes in accounting policies required by IFRSs: | None |
| b. Changes in accounting policies other than the above: | None |
| c. Changes in accounting estimates: | None |

(3) Number of issued shares (common stock)

a. Total number of issued shares at end of period (including treasury stock)

As of March 31, 2017	116,881,106 shares
As of March 31, 2016	116,881,106 shares

b. Number of treasury stock at end of period

As of March 31, 2017	3,892,374 shares
As of March 31, 2016	3,891,809 shares

c. Average number of outstanding shares during period

Fiscal year ended March 31, 2017	112,989,021 shares
Fiscal year ended March 31, 2016	112,989,557 shares

* Financial results reports are not required to be audited.

* Proper use of earnings forecasts, and other special notes

The forecasts and other forward-looking statements in this report are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. Actual business and other results may significantly differ from these forecasts due to various factors.

Please refer to “1. Overview of Operating Results and Others, (1) Overview of Operating Results for the Fiscal Year Ended March 31, 2017” on page 2 of the attached materials for matters relating to earnings forecasts.

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1. Overview of Operating Results and Others

(1) Overview of Operating Results for the Fiscal Year Ended March 31, 2017

1) Results of operations

During the fiscal year ended March 31, 2017, the Japanese economy maintained its moderate trend of recovery, supported by improvements in corporate earnings and the employment environment, etc. However, the outlook for the global economy remained uncertain due to factors such as slowing economies in China and other emerging countries, the UK's decision to leave the EU, and the changes in the U.S. government.

In the petroleum products distribution industry, the decline in demand continues and the outlook for crude oil prices remains uncertain.

In the power market, the spot average price stayed below the level in the corresponding period of the previous fiscal year until the end of December 2016, but electricity prices rose due to rising costs of raw materials such as crude oil, Liquefied Natural Gas (LNG) and coal.

In this operating environment, the Itochu Enex Group announced its two-year medium-term business plan “Moving 2016 —Sowing seeds for tomorrow—” in April 2015, and has advanced its business based on following three basic policies:

- <i> Improvement of profitability
- <ii> Sowing seeds for long-term growth strategy
- <iii> Reinforcement of organizational strength and fundamental strength

In April 2016, we reorganized the business divisions as part of efforts to drive our business forward, adopting a system of two business groups and four divisions, which is comprised of the “Power & Gas Business Group,” consisting of the Home-Life Division and the Power & Utility Division, and the “Distribution & Energy Innovation Business Group,” consisting of the Car-Life Division and the Energy Innovation Division (formerly, the Energy Trade Division). In light of the normalized decline in the demand for petroleum and the subsequent industrial reorganization, as well as a change in the management environment following the full liberalization of the electricity and gas retail market, we stepped up efforts to unify and expedite the establishment of a strategy and the development of businesses by comprehensively consolidating related businesses.

For the full liberalization of the electricity retail market (liberalization of low-voltage) which began in April 2016, we named electricity supply services for households, which the Itochu Enex Group has been developing, “e-koto denki! ^{*1}” and implemented retail sales through group companies that sell LP gas, etc. Meanwhile, also in the high-voltage field, we worked to attract new consumers and significantly expanded electricity sales volume.

Furthermore, to expand the business fields of the Itochu Enex Group, which previously focused on domestic businesses, we invested in the Philippines in May 2016 and entered the LP gas sales business. In addition, in September 2016, we established a new industrial gas filling base in Indonesia.

With emphasis on three forms of energy—oil, gas, and electricity—the Itochu Enex Group offered new value proposals to customers by developing products and services in related areas.

As a result of the above activities, revenue during the fiscal year ended March 31, 2017, fell by 4.0% year on year to ¥695,060 million. Profit from operating activities was ¥19,678 million (up 20.1% year on year) and net profit attributable to Itochu Enex's shareholders was ¥10,405 million (up 39.3% year on year).

*1: Only ECORE Co., Ltd. uses the name “ECORE no e-denki” for its electricity supply services.

2) Results of operations by segment

<Power & Gas Business Group>

Home-Life Division

In the Home-Life Division during the fiscal year ended March 31, 2017, import prices of LP gas remained higher year on year in the LP gas sales business. This reflected a rise in crude oil prices after the Organization of the Petroleum Exporting Countries (OPEC) agreed to cut production at the end of November 2016. In addition, profit from LP gas sales for home use increased from the previous fiscal year, supported by an increase in the number of customers by approximately 7,000 (cumulative from the beginning of the fourth quarter), while sales of equipment declined from the previous fiscal year primarily due to a reduction in demand for, among others, photovoltaic power generation systems for industrial use.

Regarding sales of electricity for households implemented from April 2016 in response to the full liberalization of the electricity retail market, we secured approximately 32,000 supply contracts (cumulative from the beginning of the fourth quarter), reflecting activities to promote combined sales with LP gas.

In overseas business, we took a stake in an LP gas sales company (Isla Petroleum & Gas Corporation) through an investment in the Philippines in May 2016. We have dispatched more personnel with hands-on experience to the company since January 2017 to reinforce sales to Japanese companies. We are also working to expand our LP gas sales business in the Philippines using our expertise in LP gas sales acquired in Japan.

In September 2016, construction of the head office building and filling station of PT. ITC ENEX INDONESIA, a producer and seller of industrial gas was completed in the Karawang Industrial Estate, Indonesia. We will strive to expand sales by having our sales systems in place and adding a new category of materials.

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

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

Power & Utility Division

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

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

In the heat supply business^{*2}, demand for heat increased year on year due to average temperatures that were higher than those of the previous fiscal year during summer and lower than those of the previous fiscal year from autumn to winter. Profits in this business increased year on year mainly due to a drop in the electric power costs.

In the electricity retailing field, the Power & Utility Division is taking a number of steps. In existing areas of the market that have already been liberalized (high-voltage: for business users), the division

has been reinforcing sales in each area by cooperating with companies having a strong customer platform in relevant areas. Also, with respect to electricity sales in areas liberalized (low-voltage: households and other areas), the Power & Utility Division enhances cooperation with other divisions in the Company. In addition, in order to expand sales channels into other industries, we established Itochu Enex Life Service Co., Ltd. to support the lifestyle-related business. In January 2017, Itochu Enex Life Service Co., Ltd. teamed up with Nissan Osaka Sales Co., Ltd., a Group company, to conduct the Collaborative Business between Cars and Electricity^{*3}, continuing to provide new value proposals through electricity.

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

*2 Heat supply business: The heat supply business supplies cold and hot water for air conditioning to multiple office buildings and other buildings from a heat source plant using pipes.

*3 Collaborative Business between Cars and Electricity: Business offering a special electricity plan for customers to whom Nissan Osaka Sales Co., Ltd. sold automobiles to strengthen relationships between customers and Nissan Osaka Sales Co., Ltd.

<Distribution & Energy Innovation Business Group>

Car-Life Division

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

As part of our retail strategy, we pushed ahead with the introduction of our new POS system at Car-Life Stations^{*4} from the first half of fiscal year 2016 and used the Rakuten Super Points system to exchange customers with affiliated stores in other sectors. Also, in line with the service on the Internet, we will actively increase the number of stores affiliated with Rakuten Shaken, a statutory vehicle inspection service offered by Rakuten, Inc., and implement joint campaigns to attract shaken (vehicle inspection) customers from e-commerce sites.

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

In Nissan Osaka Sales Co., Ltd., unit sales declined from the previous fiscal year, impacted by a fraud issue at Mitsubishi Motors Corporation. Profit from operating activities, however, resulted in a significant increase from the previous fiscal year, reflecting the release of new automobile models (Note, Serena, etc.).

The number of Car-Life Stations in the Itochu Enex Group as of March 31, 2017, was 1,888, marking a net decrease of 85 stations from the end of the previous fiscal year due to disaffiliation of unprofitable and decrepit stations.

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

*4 Car-Life Stations: Car-Life Stations are service stations offering multiple services provided by the Company.

Energy Innovation Division

During the fiscal year ended March 31, 2017, the Energy Innovation Division faced a structural decline in demand for domestic petroleum products caused by factors such as more efficient energy use. Besides, under an operating environment in which the domestic petroleum products market was affected by changes in crude oil prices following an adjustment in supply and demand among OPEC

and other oil-producing countries, profit from operating activities resulted in an increase from the previous fiscal year, due to efforts to expand business with existing customers and acquire new customers, as well as expanding business portfolios.

In this division, we are “appropriately and effectively enhancing and managing assets” and “actively pushing ahead with new business commercialization projects” as specific priority initiatives, and in sales of industrial fuels and materials, logistics functions have been being reinforced by activities of Kokura Enterprise Logi Service Co., Ltd., which was established in February 2016, to develop sales to small-volume users. We are also working to improve the profitability by providing comprehensive materials covering areas such as electricity sales to business users, in addition to each division’s existing business. Also, we are working steadily to commercialize new businesses, such as the recovery and reuse of waste oil from ships, and the use of fly ash discharged from thermal power plants as a construction raw material.

Going forward, the division will develop proposals tailored to customer needs while responding flexibly to changes in the external environment, aiming to conduct business development based on close cooperation with Group companies.

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

3) Forecasts of consolidated financial results for the fiscal year ending March 31, 2018

As a forecast of consolidated financial results for the fiscal year ending March 31, 2018, we are projecting ¥1,150,000 million in total trading transactions, up 11.8% year on year, ¥16,500 million in profit from operating activities, down 16.2% year on year, ¥17,800 million in profit before tax, down 8.0% year on year, and ¥10,400 million in net profit attributable to Itochu Enex’s shareholders, remained unchanged from the previous fiscal year.

Basic earnings per share attributable to Itochu Enex’s shareholders is projected at ¥92.05.

(2) Overview of Financial Position for the Fiscal Year Ended March 31, 2017

1) Analysis of assets, liabilities, equity and cash flows

Assets, liabilities and equity

Total assets amounted to ¥344,603 million as of March 31, 2017, an increase of ¥40,550 million from March 31, 2016, mainly due to an increase in trade receivables. Total liabilities amounted to ¥217,126 million, an increase of ¥30,235 million from March 31, 2016, mainly due to an increase in trade payables. Total equity totaled ¥127,477 million, an increase of ¥10,315 million from March 31, 2016, due to factors including increased retained earnings.

We consequently ended the fiscal year with a ratio of shareholders’ equity to total assets of 31.5%.

Cash flows

Cash and cash equivalents (net cash) totaled ¥22,727 million as of March 31, 2017, up ¥1,903 million from March 31, 2016.

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

2) Cash flow indicators

Fiscal year ended March 31,	2015	2016	2017
Ratio of shareholders' equity to total assets (%)	29.6	33.1	31.5
Ratio of shareholders' equity to total assets at market value (%)	34.0	33.6	30.2
Ratio of cash flow to interest-bearing debt (years)	1.2	1.2	2.3
Interest-coverage ratio (times)	46.0	33.5	19.2

Ratio of shareholders' equity to total assets: Total shareholders' equity / Total assets

Ratio of shareholders' equity to total assets at market value: Market capitalization / Total assets

Ratio of cash flow to interest-bearing debt: Interest-bearing debt / Cash flow

Interest-coverage ratio: Cash flow / Interest expense

(Note 1.) All of the above ratios were calculated using consolidated financial statement data.

(Note 2.) Market capitalization was calculated by multiplying the fiscal-year-end closing share price by the number of shares outstanding at fiscal year-end (net of treasury stock).

(Note 3.) "Cash flow" is "Cash provided by (used in) operating activities" on the Consolidated Statement of Cash Flows.

(Note 4.) Interest-bearing debt is all debt, of the debt carried on the Consolidated Statement of Financial Position, on which interest is payable.

(3) Profit Distribution Policy and Dividends for the Fiscal Years Ended March 31, 2017 and Ending March 31, 2018

In terms of shareholder returns, we aim to maintain a consolidated dividend payout ratio of at least 30% in accord with our policy of paying stable dividends on an ongoing basis while maintaining sustained business growth.

For the fiscal year ended March 31, 2017, we plan to pay a year-end dividend of ¥18.50 per share. For the fiscal year ending March 31, 2018, we plan to pay annual dividends of ¥32 per share (including an interim dividend of ¥16 per share).

With respect to internally retained funds, our basic policy is to use such funds to invest in our business to strengthen our operating foundation and further increase earnings.

2. Basic concepts underlying selection of accounting standards

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

3. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Millions of yen)

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

(Millions of yen)

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

(2) Consolidated Statement of Comprehensive Income

(Millions of yen)

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

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

	(Yen)	
Earnings per share attributable to Itochu Enex's shareholders		
Basic	66.10	92.09
Diluted	—	—

	(Millions of yen)	
Total trading transactions	1,071,629	1,028,939

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

(3) Consolidated Statement of Changes in Equity

(Millions of yen)

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

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before tax	15,004	19,344
Depreciation and amortization	12,608	10,856
Loss from tangible assets, intangible assets and goodwill	593	982
Financial income	708	834
Share of loss (profit) of investments accounted for by the equity method	672	(500)
Decrease (increase) in trade receivables	24,438	(22,938)
Decrease (increase) in inventories	2,659	(1,337)
Increase (decrease) in trade payables	(23,999)	21,158
Other – net	1,842	(4,629)
Interest and dividends received	434	510
Interest expense	(906)	(927)
Income taxes paid	(3,731)	(5,522)
Net cash flows provided by operating activities	30,322	17,831
Cash flows from investing activities		
Purchase of investments accounted for by the equity method	(14)	(2,649)
Proceeds from sales of investments accounted for by the equity method	12	–
Purchase of investments	(5,147)	(30)
Proceeds from sales of investments	4,490	1,472
Acquisition of subsidiaries, net of cash acquired	(1,690)	(645)
Proceeds from sales of subsidiaries, net of cash acquired	–	3,001
Payment for loans receivable	(191)	(1,661)
Collection of loans receivable	350	1,710
Payments for purchase of property, plant and equipment and investment property	(10,609)	(8,436)
Proceeds from sales of property, plant and equipment and investment property	1,942	2,810
Purchase of intangible assets	(1,689)	(1,622)
Proceeds from sales of intangible assets	70	169
Increase in deposits paid – net	(4,000)	(9,000)
Other – net	(197)	169
Net cash flows used in investing activities	(16,673)	(14,712)

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from financing activities		
Proceeds from bonds and borrowings	8,315	7,500
Repayments of bonds and borrowings	(9,472)	(3,858)
Net decrease in short-term borrowings	(5,192)	(1,743)
Proceeds from share issuance to non-controlling interests	–	132
Cash dividends paid to Itochu Enex's shareholders	(2,599)	(2,881)
Cash dividends paid to non-controlling interests	(110)	(345)
Other – net	(1)	(0)
Net cash flows used in financing activities	(9,059)	(1,195)
Net increase in cash and cash equivalents	4,590	1,924
Cash and cash equivalents at the beginning the period	16,184	20,824
Effect of exchange rate changes on cash and cash equivalents	(27)	(21)
Increase in cash and cash equivalents resulting from merger	77	–
Cash and cash equivalents at the end of the period	20,824	22,727

(5) Notes to Consolidated Financial Statements

Segment Information

i) Outline of Reportable Segments

The reportable segments of the Group are components of the Group whose 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 divisions under two business groups, consolidating related businesses. Each division plans strategies for each category of target customers and markets and develops business activities. The Group has four reportable segments that correspond to the divisions, namely the “Home-Life Division,” “Power & Utility Division,” “Car-Life Division,” and “Energy Innovation Division.”

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

The Power & Utility Division operates a power generation business (coal, fuel oil, natural gas, wind, hydropower, photovoltaic power, etc.), and is engaged in the sale of electricity (extra high-voltage, high-voltage power), provision of district heating services, sale of steam, and provision of thermal storage contract-based services.

The Car-Life Division is engaged in the sale of gasoline, kerosene, diesel oil, fuel oil, automobiles, automotive lubricants, and automobile products, as well as operating automobile dealerships and providing motor-vehicle inspection and auto maintenance, car wash, car body repair services, and car rental system.

The Energy Innovation Division is engaged in the sale of industrial energy and materials (gasoline, kerosene, diesel oil, fuel oil, LNG, and coal), asphalt, high-grade urea solution “AdBlue,” marine fuel, and lubricating oil, as well as the import/export and domestic supply/demand adjustment trading of petroleum products, chartering and operation of tankers, and provision of logistics services for petroleum and chemical products storage tanks and facilities, etc., development and promotion of global business, and other business activities.

During the fiscal year ended March 31, 2017, the Company has changed the name of “Home-Life Division” to “Home-Life Division,”* “Power & Utility Division” to “Power & Utility Division,”* “Car-Life Division” to “Car-Life Division,”* and “Energy Trade Division” to “Energy Innovation Division.”

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

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

ii) Information on Reportable Segments

Fiscal year ended March 31, 2016

(Millions of yen)

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

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

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

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

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

Fiscal year ended March 31, 2017

(Millions of yen)

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

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

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

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

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

iii) Products and Services Information

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

iv) Geographic Information

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

v) Major Customers Information

This information is omitted because there is no major external customer from which revenue accounts for 10% or more of the revenue recorded in the consolidated statement of comprehensive income for the fiscal years ended March 31, 2016 and 2017.

Earnings per Share

Basic earnings per share for the fiscal years ended March 31, 2016 and 2017, were calculated as follows:

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net profit attributable to Itochu Enex's shareholders (Millions of yen)	7,469	10,405
Weighted-average number of ordinary shares outstanding (Thousands of shares)	112,990	112,989
Basic earnings per share attributable to Itochu Enex's shareholders (Yen)	66.10	92.09

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

Significant Events after the Reporting Period

No items to report