ITOCHU ENEX CO.,LTD.

8133 Tokyo Stock Exchange First Section

18-Jan.-16

Important disclosures and disclaimers appear at the end of this document.

FISCO Ltd. Analyst
Hiroyuki Asakawa

Steadily expanding earnings capability and preparing for the full liberalization of the electricity retail market

A member of the ITOCHU Corp. (8001) group, Itochu Enex (8133) is an Energy Trade company that is playing a pivotal role in the energy field. Its wide ranging business scope includes selling petroleum products and liquefied petroleum (LP) gas to users ranging from industries to final consumers.

In Q2 FY3/16 (April-September, 2015) Itochu Enex posted a decline in revenues and an increase in earnings. Gross profit and operating profit both reached new record highs, and net profit also marked a new record high in real terms. Despite persistent adversity due to the decline in crude oil prices, the company absorbed the effect and achieved an increase in profit through initiatives such as new customer development, increase in sales volumes, and efforts to cut costs. In short, the financial results demonstrate a steady expansion in "earning capability."

Ahead of the start of the full liberalization of the retail electricity market in April 2016, the focus in 2H will be on how far the company's preparations have advanced. The company has positioned electricity sales as an important pillar of its growth strategy, and has been steadily consolidating a foundation in this sector by securing in-house power supplies, acquiring major customers, and so forth. The full liberalization of the market in April 2016 will enlarge it by adding the low-voltage sector (retail sector), which represents nearly 40% of domestic electricity demand. The company's growth is expected to accelerate accordingly.

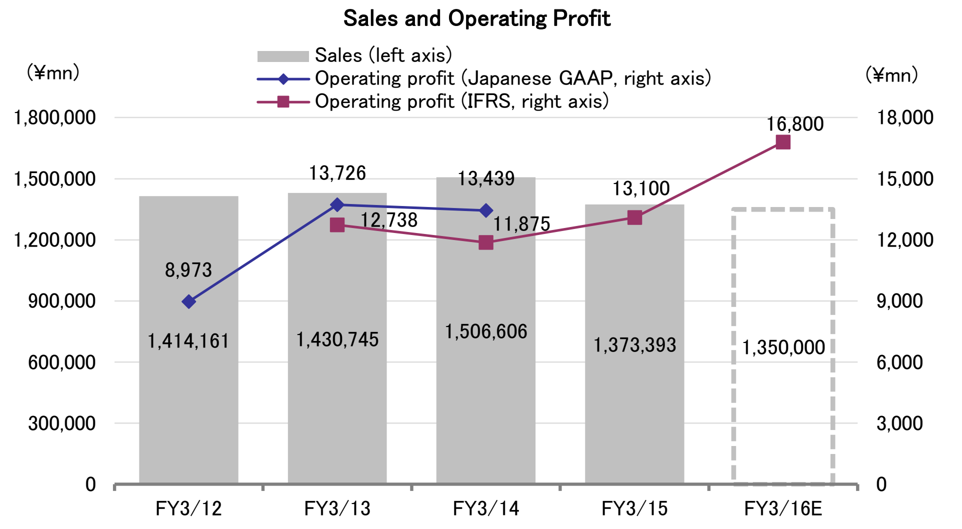
The key to the Company's response is the organization of a balancing group. This refers to a group of enterprises known as new power producer and suppliers (PPSs), organized with the goal of achieving high efficiency in areas such as adjusting power supply and demand and in sales, as well as leveraging benefits of scale. The company will naturally establish links with its internal LP gas and petroleum businesses, and aims to form a balancing group with a wide range of companies across industry types, both ITOCHU Corporation Group companies and external companies.

Other divisions in addition to the Power & Utility Division have also been implementing their respective measures for growth, and they are steadily delivering results. The recent Q2 financial results provided a glimpse of the effects of these measures, and they are expected to become clearer in FY3/17. We consider the company to be highly likely to achieve the earnings targets of its medium-term business plan; namely operating profit of ¥20,000mn and net profit of ¥10,000mn.

* Itochu Enex Group adopted IFRS (International Financial Reporting Standards) from FY3/14. In this report, "Profit from operating activities" is described as "Operating profit" and "Net profit attributable to owners of the parent" is described as "Net profit."

Check Point

- Gross profit and operating profit at new record highs for Q2
- Focus on initiatives for the electricity retail business in the Home-Life Division
- Increase the ratio of retail sales within total electricity sales volume



Detail of Q2 FY3/16 Results

Gross profit and operating profit at new record highs for Q2

In Q2 FY3/16, Itochu Enex recorded lower sales but higher profit with consolidated sales of ¥564,118mn (-19.0% YoY), revenue of ¥374,235mn (-21.8%), profit from operating activities (hereinafter,operating profit) of ¥7,384mn (+23.6%), profit before tax of ¥6,570mn (+15.0%), and net profit attributable to owners of the parent (hereinafter, net profit) of ¥3,209mn (+14.3%). The company did not disclose a Q2 earnings forecast at the start of the period, so the results cannot be compared against the plan. Nevertheless, gross profit and operating profit reached new record highs for Q2 results. Net profit also achieved a record high for Q2 results on a real basis, as the record high Q2 FY3/14 net profit had been elevated by extraordinary income. The financial results are clearly positive at any rate.

Overview of Results for Q2 FY3/16

(¥mn)

	FY3/14	FY3/15	FY3/16	
	Q2 (cumulative)	Q2 (cumulative)	Q2 (cumulative)	YoY
Sales	691,153	696,637	564,118	-19.0%
Revenue	448,898	478,762	374,235	-21.8%
Gross profit	33,565	38,999	42,994	10.2%
SG&A expenses	27,958	33,133	35,887	8.3%
Operating profit	4,783	5,972	7,384	23.6
Profit before tax	6,616	5,714	6,570	15.0

Source: Compiled by FISCO from earnings reports and briefing materials

The company also booked record high gross profit and operating profit in its Q1 FY3/16 financial results. However, at that point, it seemed best to avoid optimism with regard to future earnings given the large number of uncertainties, such as crude oil prices and demand trends for petroleum products. The price of crude oil remained largely unchanged between April and June, but began to slide again in July, bringing concerns over the impact on earnings in the July-September period. In the end, the decline in crude oil prices had an impact on the valuation of LP gas inventory in the Home-Life Business (causing a ¥500mn decline in earnings YoY); however, no other notable negative impacts were observed, and the company's profitability and profit stability (which it refers to as its "earning capability") are steadily expanding.

FISCO

ITOCHU ENEX CO.,LTD.
8133 Tokyo Stock Exchange First Section

18-Jan.-16

Detailed trends in each segment will be described below. However, considering the tough external environment for Q2, all four segments appear to have performed solidly. The Home-Life Division is susceptible to the impact of crude oil price declines and fought back against the impact of prices with sales volume and equipment sales, managing to keep operating profit level YoY. The Car-Life Division used the price drop to its advantage by boosting gasoline sales volumes, while making continuous cost reduction efforts (including closing unprofitable stores) and successfully strengthening its 6 car-related business (statutory vehicle inspections, car wash, car rental, etc.) to achieve a two-fold increase in segment operating profit YoY. The Power & Utility Division achieved brisk growth in profit thanks to an increased electricity sales volume and the effect of lower fuel costs in the heat supply business. The Energy Trade Division struggled with the effects of a decline in the volume of asphalt sales and the drop in crude oil prices; but aside from this, business was favorable and profit increased substantially.

Results by Business Segment

(¥mn)

		FY3/14	FY3/15	FY3/16				
		Q2 (cumulative)	Q2 (cumulative)	Q2 (cumulative)	YoY	Progress rate	2H E	Full year E
Sales	Home-Life Division	51,764	51,483	44,201	-14.1%	40.7%	64,399	108,600
	Car-Life Division	284,931	319,139	274,465	-14.0%	42.3%	374,535	649,000
	Power & Utility Division	17,908	19,287	21,152	9.7%	37.8%	34,848	56,000
	Energy Trade Division	336,147	306,656	224,300	-26.9%	41.9%	311,400	535,700
	Other	403	72	0	-	0.0%	700	700
	Total net sales before adjustments	691,153	696,637	564,118	-19.0%	41.8%	785,882	1,350,000
	Adjustments	-	-	-	-	-	-	-
	Total net sales	691,153	696,637	564,118	-19.0%	41.8%	785,882	1,350,000
Operating profit	Life Division	-	925	895	-3.2%	17.2%	4,305	5,200
	Car-Life Division	-	732	1,434	95.9%	29.3%	3,466	4,900
	Power & Utility Division	-	2,555	2,642	3.4%	82.6%	558	3,200
	Energy Trade Division	-	1,193	1,862	56.1%	51.7%	1,738	3,600
	Other	-	9	1	-88.9%	-	-1	0
	Total operating profit before adjustments	-	5,414	6,834	26.2%	40.4%	10,066	16,900
	Adjustments	-	558	550	-1.4%	-	-650	-100
	Operating profit	-	5,972	7,384	23.6%	44.0%	9,416	16,800

Source: Compiled by FISCO from earnings reports

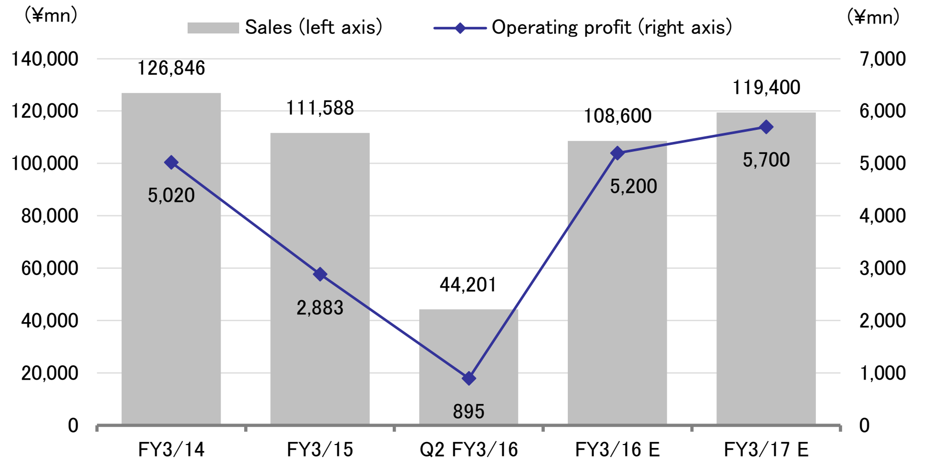
■ Performance Trends by Segment

Focus on initiatives for the electricity retail business in the Home-Life Division

(1) Home-Life Division

As mentioned above, in Q2 FY3/16, the Home-Life Division managed to secure segment operating profit at the same level YoY, overcoming the negative impact of a decline in the contract price (CP) of LP gas, pulled lower by the drop in crude oil prices. There are two key focus points. The first is that the company managed to maintain LP gas sales volumes in line with those of Q2 FY3/15. The reason the company was able to maintain sales volume while the industry overall saw a contraction of 5% is that it succeeded in significantly increasing the number of direct sales customers, revealing a strong customer retention capability firmly rooted in local communities. Another reason is that the volume of equipment sales rose 14% YoY. The company held a nationwide promotional campaign to increase equipment sales, successfully growing sales in every region.

Home-Life Division



Source: Compiled by FISCO from earnings reports

There are three key themes for the company's initiatives for 2H of the year. Of these, the core LP gas sales business is to develop new customers and increase equipment sales in order to expand sales. This is a steady continuation of the initiatives for Q2. In new overseas business, a major theme is the start-up of industrial gas filling and sales business in Indonesia. A company was established in October 2015, and the project is expected to start without any hitches since it has been underway for some time, and since it is the core operation of the Home-Life Division.

Initiatives for 2H FY3/16 in the Home-Life Division

Further entrench core operations and establish and organizational structure ahead of the full liberalization of the electricity retail market	
Core operations	Develop new customers and take initiatives on M&As to expand the LP gas business (direct sales / wholesale) Promotion of sales expansion of combustion equipment and housing-related products and services through the "Smart Life" campaign. Continue to propose an optimal energy mix based on solar power generation, storage batteries, and LP gas
Electricity retail business	Strengthen the sales structure and establish a business foundation in cooperation with the Power & Utility Division in preparation for start of retail electricity sales to households
New business overseas	Filling and sale of gas for industrial use to Japanese companies in Indonesia

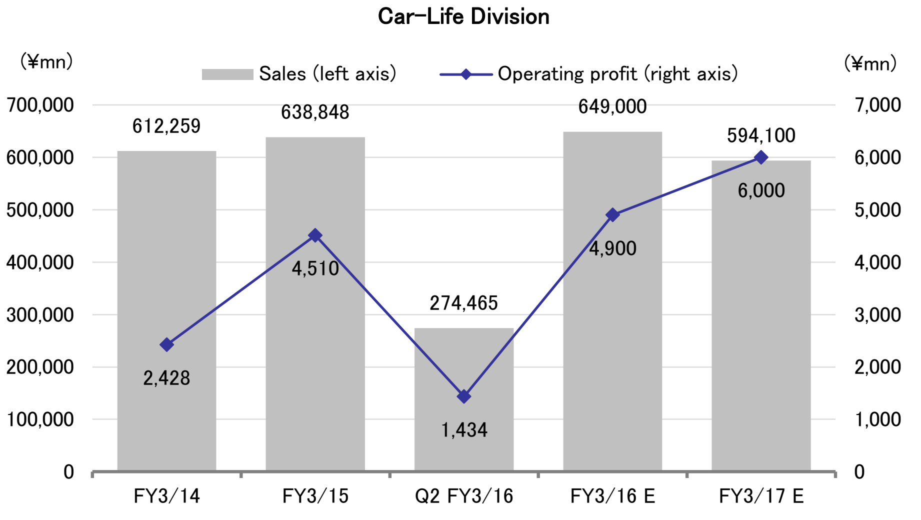
Source: Compiled by FISCO from briefing materials

The key initiatives to focus on in the Home-Life Division are those for the electricity retail business. With the full liberalization of the electricity retail market in April 2016, the Home-Life Division's LP gas sales network is expected to make a major contribution in term of customers. From the perspective of the LP gas business, the ability to add electricity supply as a new service is also a significant benefit. The company plans to commence full-scale preparations during 2H of FY3/16, and has already provided training on the electricity retail business to its core sales personnel in the Home-Life Division. These personnel are expected to serve as instructors to the LP gas sales companies affiliated with the Group. Another important theme is the organization of seven LPG sales companies throughout Japan. Ultimately, all seven companies are expected to become members of the balancing group to be formed by the company as user PPSs, which are described below.

Introduction of the new "Car-Life Stadium" brand and other measures

(2) Car-Life Division

In Q2 FY3/16, the Car-Life Division achieved an increase in segment operating profit despite a decline in sales revenue, mainly by increasing gasoline sales volume and reducing costs as described above. The company's Car-Life Division has expanded its business domain by adding a car dealer business with the conversion of Osaka Car Life Group Co., Ltd. (OCG) into a subsidiary. OCG is the only authorized dealer for NISSAN MOTOR CO., LTD. (7201) in Osaka Prefecture and is expected to provide stable revenue. On the other hand, the Car-Life Station (CS) business continues to face a harsh business environment, with background factors including a slowdown in the growth of car ownership numbers, a decline in traveling distances, and an increase in energy-saving cars. The number of CSs as of September 30, 2015 was 2,021, a net decrease of 18 from March 31, 2015.



Source: Compiled by FISCO from earnings reports

Looking ahead, we think the company should aim for top-line growth, that is, net sales growth. However, the focus should be on sales growth at individual CSs rather than for the division overall. Given the structural issues such as a forecast decline in the number of CSs and a decrease in gasoline consumption volume, we believe it will be more rational to focus mainly on increasing sales at individual CSs. As a strategy to increase individual CS sales, the company has been working to strengthen its six car-related businesses. These are expected to form a strategic pillar going forward. The six businesses refer to car washes, car rentals, panel beating, statutory vehicle inspections, car sales, and car purchasing. These elements occupy important positions in the car life cycle of "purchase > use, maintenance, and repair > sale > purchase." If customers can be properly retained, the unit sale per customer has the potential to expand several-fold.

The company has several measures that are expected to be effective means for customer retention, including the development of R points and cards, introduction of new POS system, and the promotional effect of introducing the new Car-Life Stadium brand. The R points have the potential to directly motivate consumer use of CSs. The new POS system will provide a powerful tool for customer relationship management (CRM), and is also expected to help to improve marketing efficiency such as well-timed direct mail.

FISCO

ITOCHU ENEX CO.,LTD.
8133 Tokyo Stock Exchange First Section

18-Jan.-16

Initiatives for 2H FY3/16 in the Car-Life Division

Dedicate efforts to promoting automotive lifestyles in regional areas Expand absolute number of customers, "strengthen fundamentals" and "sowing seeds for tomorrow"	
Cost reduction	Cost reductions at the company and its group companies Strengthen credit management function
Marketing	Established "Car-Life Stadium" as a business and service brand R points and cards development Introduce new POS system
Increase added value	Promote ENEXAUTO CO., LTD's six car-related businesses and car dealership business Integrated management of wholesale and retail businesses Create new ACT*

* ACT: The ENEX ACT program provides powerful support for sales stores by integrating ENEX and stores to analyze CS store capabilities and competitors and undertake group training to realize "CS stores designed to excel in competition"

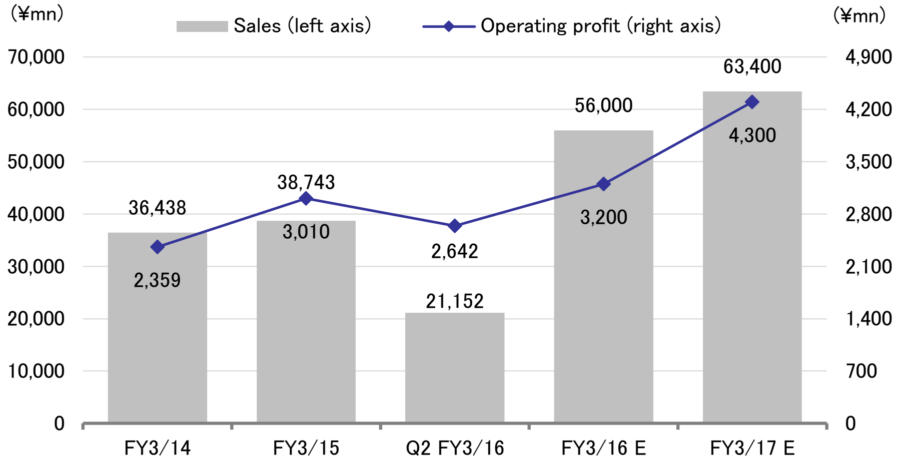
Source: Compiled by FISCO from earnings report briefing materials

Increase the ratio of retail sales within total electricity sales volume

(3) Power & Utility Division

The Power & Utility Division has delivered stable earnings so far; however, with the full liberalization of the electricity retail market from April 2016, the division is now expected to achieve "stable growth" going forward. A key objective of the company's medium-term business plan is to develop its electricity business to achieve sustained growth by taking full advantage of its strengths as a comprehensive energy enterprise. In 2H FY3/16, the company will begin full-scale preparations to achieve a smooth start of operations in April 2016.

Power & Utility Division

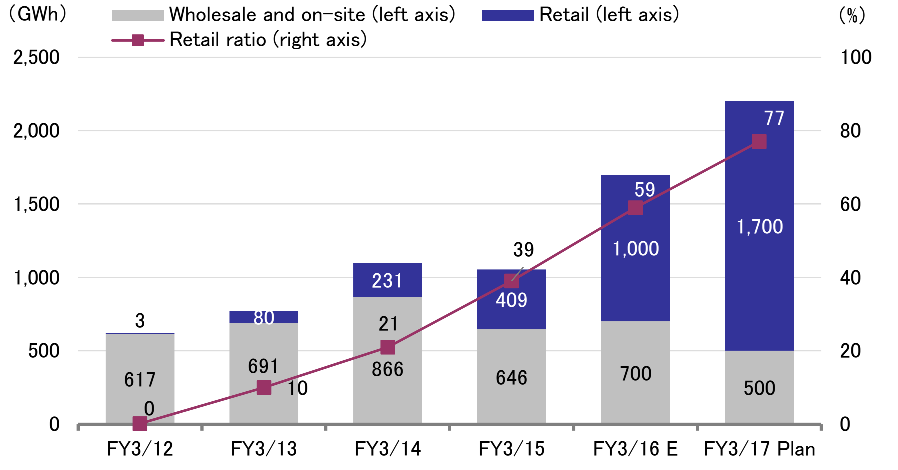


Source: Compiled by FISCO from earnings reports

Japan's electricity sector has long been operated under a system of regional monopolies in the form of general electricity providers (power companies). From 2000 onwards, however, electricity sales have been liberalized in stages. Currently, the special high voltage sector and high voltage sector have been liberalized. These account for approximately 63% of Japan's electricity market. From April 2016, the low voltage sector is to be liberalized, comprising 37% of Japan's total electricity volume.

The company launched electricity sales in 2010. Initially the ratio of wholesale sales was high, but the company has increased the ratio of retail sales gradually, and the company established a plan for FY3/16 to sell 1,000 GWh (59%) as retail electricity out of its 1,700 GWh total electricity sales volume. The actual retail sales for Q2 FY3/16 were 338 GWh, double the 170 GWh retail sales in Q2 FY3/15. We consider this the most important point to focus on in Q2 FY3/16. We expect that achieving 338 GWh in Q2 has made the goal for the full year achievable. The reasons for increasing retail sales are clear: better price stability and higher profitability compared with the wholesale business.

Breakdown of Electricity Sales Volume



Source: Compiled by FISCO from medium-term business plan materials

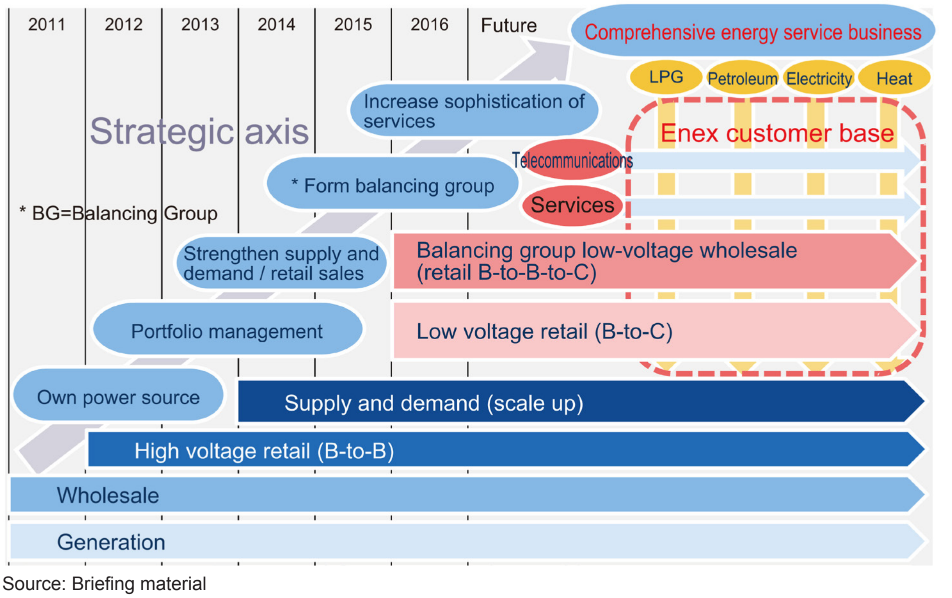
The company is also increasing its presence within the industry. The group ranks second in a comparison of total retail electricity provision, but when the field of comparison is narrowed to the high-voltage sector, which is the group's main focus, the gap between the group and top ranked provider narrows considerably. A key focus will be on how far the company can grow its share of the low-voltage sector, which is the true market of the electricity retail sales business.

A key strategy for the 2H is the formation of a balancing group. The largest challenge in electricity provider operations is coping with fluctuations in electricity demand. The main aim of a balancing group is to reduce risk and improve efficiency by responding to fluctuations as a group rather than as a single company. In its balancing-group strategy, the company will exercise the functions and responsibility of a balancing group leader since it has a power source and expertise in balancing and adjusting demand and supply; while on the other hand, it will leverage the sales capabilities of user PPSs to expand its electricity sales volume. In other words, the company's balancing-group strategy is also its sales strategy.

The user PPSs in the balancing group are expected to include group companies related to the company's LPG business and petroleum business, companies outside the Group, and companies from sectors outside of the energy industry. The user PPSs will be required to provide customer networks and sales capabilities since the potential for generating synergies is not necessarily limited to synergies between energy-related companies. It is easy to imaging collaboration with telecommunication companies such as telephone and CATV providers, but there are many other sectors and businesses with which the company may pursue synergies, such as housing, distribution, and retail.

The company aims to further develop in quality and scale as a comprehensive energy service provider. Within the energy currently handled by the company, electricity has high growth potential, and the retail sales market will soon become available as a market and all of the company's employees are now focused on this. Therefore, in the future, there is a possibility that the company's trajectory could be altered by changes in the external environment. From our perspective, the important thing is whether the company has the capacity to cope with such changes. We believe that achieving a certain level of success as an electricity retail business based on the company's balancing group strategy will be an important step along the road to achieving its aspiration of becoming a strong energy service company.

Image of Medium- to Long-Term Strategy



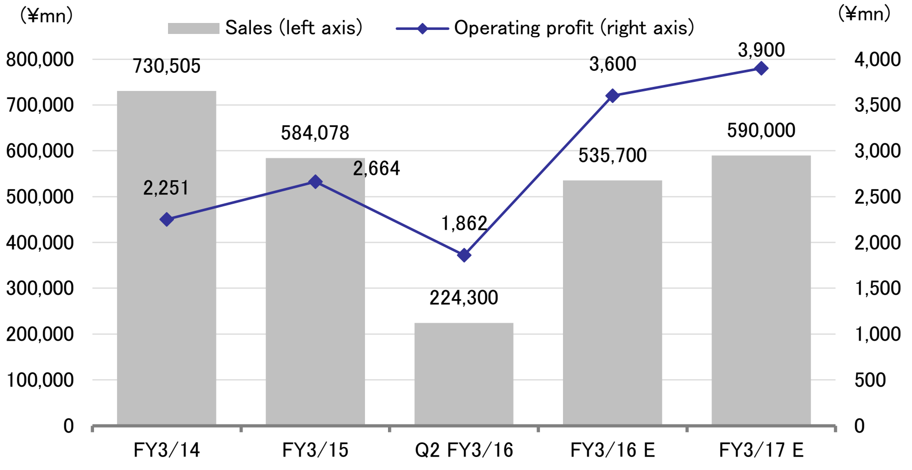
Source: Briefing material

Industrial fuel sales, ship fuel, fleet cards, etc. have been performing strongly

(4) Energy Trade Division

The Energy Trade Division achieved a substantial increase in profit in Q2 FY3/16, despite a decline in sales. The sales decline resulted from reducing inefficient transactions in line with initial policy. The growth in profit resulted from strong performance in sales of fuel for industrial use, ship fuel, and fleet card sales, etc., which outweighed the effects of a decline in sales volume the asphalt business, which is a core business, and a drop in crude oil prices.

Energy Trade Division Business Results



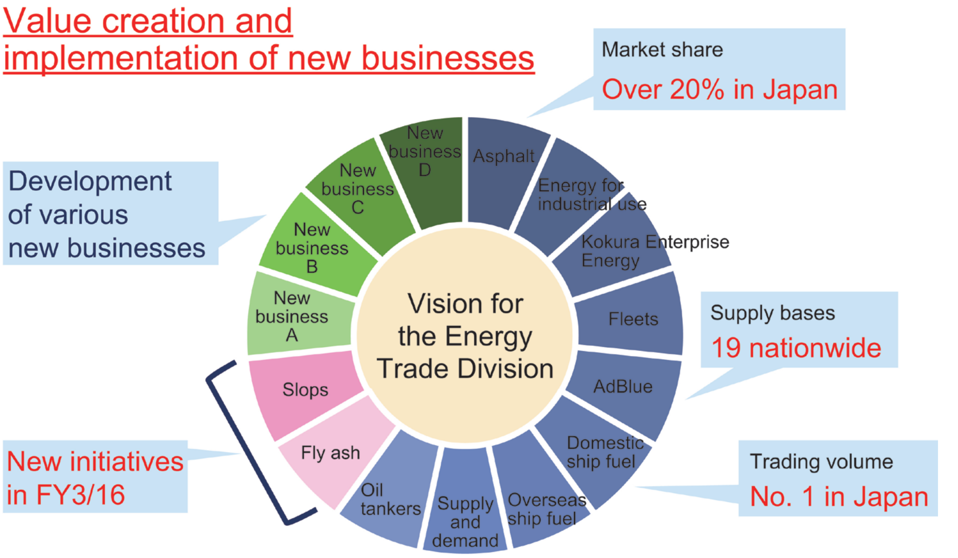
Source: Compiled by FISCO from earnings reports

The company has provided two themes for its initiatives in 2H: strengthen the business foundation and advance new business development. In terms of strengthening the business foundation, the company has numerous dedicated facilities, such as AdBlue supply bases, asphalt ships, and ship fuel supply ships, etc. We believe that the existence of these assets can work effectively to make the company more competitive. Moreover, proposing optimal energy mixes utilizing its strengths as a comprehensive energy company and making proposals linked with corporate fleet fuel cards and so forth will be effective in retaining customers. In new businesses, in FY3/16 the company will start the slop and oil recycling business (reuse of discarded oil from oil tankers) and the fly ash business (reusing coal ash from coal-fired thermal power stations as aggregate in cement). The company's progress in starting up these businesses is also a point to watch.

In the short term, the recovery of demand for asphalt is a focus point. The company has a leading share of the Japanese asphalt market at over 20%. It is therefore susceptible to the impact of deterioration in business conditions, which caused a decline in profits in Q2 FY3/15. 2H is originally the period of demand for asphalt, and with public investment expected to move again after being stalled for a time, we expect that asphalt demand will rebound.

The company's medium- to long-term vision for the energy trade business is to develop various products for industry use and businesses to a certain scale, and to have expanded their stable earnings as business divisions. In the financial results for Q2 FY3/16 also, the downturn in asphalt was covered by other business divisions, resulting in an overall increase in profit. The company's efforts to increase the division's stability even further and to achieve growth in the division by actively developing new businesses are drawing attention.

Vision for the Energy Trade Division



Source: Briefing materials

Performance Outlook

High probability of achieving full-year forecasts with the "earnings capability" shown in Q2

(1) Full-year forecast for FY3/16

For FY3/16, Itochu Enex is forecasting sales of ¥1,350,000mn (-1.7% YoY), operating profit of ¥16,800mn (+28.2%), profit before tax of ¥15,200mn (+25.1%), and net profit of ¥8,200mn (+49.0%). Itochu Enex has not revised its initial forecasts. The company recorded strong performance for Q2 FY3/16, but there are also risk factors, such as crude oil price trends, and the company itself is not at all optimistic about achieving results. We believe that the "earning capabilities" that the company demonstrated in Q2 FY3/16 will also drive its performance in 2H and that there is a high possibility of achieving the full-year targets.

Overview of Full-Year Forecast for FY3/16

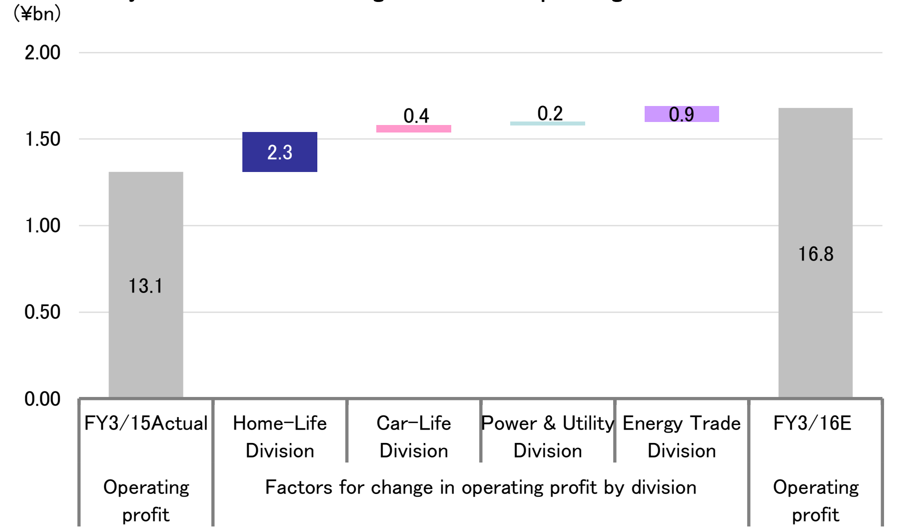
(¥mn)

	FY3/14	FY3/15	FY3/16			
	Full year	Full year	Q2 (cumulative)	2H (E)	Full year (E)	YoY
Sales	1506,606	1,373,393	564,118	785,882	1,350,000	-1.7%
Revenue	966,044	936,841	374,235	-	-	-
Gross profit	71,599	85,720	42,994	-	-	-
SG&A expenses	57,862	71,184	35,887	-	-	-
Operating profit	11,875	13,100	7,384	9,416	16,800	28.2%
Profit before tax	13,844	12,155	6,570	8,630	15,200	25.1%
Profit	7,124	5,503	3,209	4,991	8,200	49.0%

Source: Compiled by FISCO from earnings reports

The Company's medium-term business plan calls for an increase in operating profit of ¥3,700mn between FY3/15 and FY3/16. Of this, the Home-Life Division is expected to provide ¥2,300mn, the Car-Life Division ¥400mn, the Power & Utilities Division ¥200mn, and the Energy Trade Division ¥900mn. Compared with the Q2 performance by segment described above, the company should easily be able to achieve its planned targets by concentrating on its planned 2H initiatives in three divisions: the Car-Life Division, the Power & Utility Division, and the Energy Trade Division.

Analysis of Factors for Change in Forecast Operating Profit for FY3/16

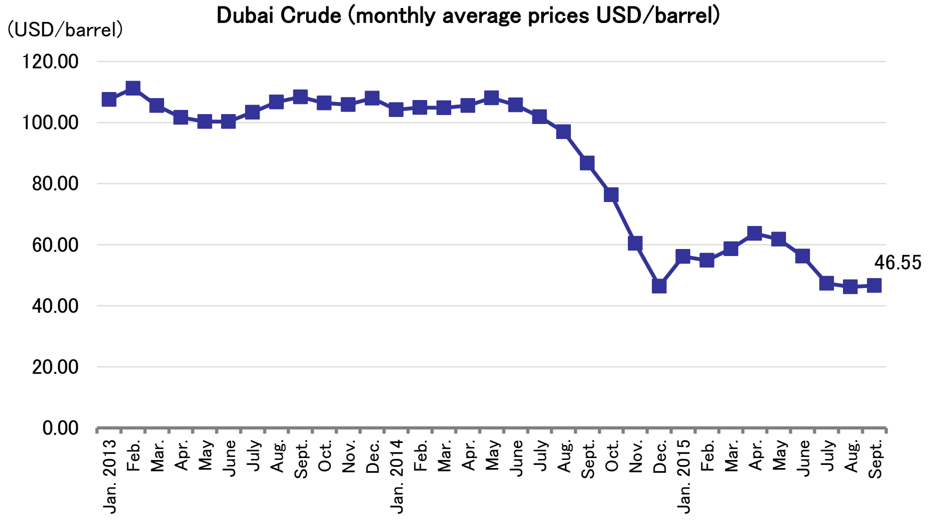


Source: Compiled by FISCO from medium-term business plan materials

On the other hand, there are remaining risks that the company may not achieve performance target. For example, in the Home-Life Business the company's inventory of LP gas is affected by crude oil prices (and by extension, the associated LPG and CP price). The most important point to consider is how the company will cover such risks. As explained above, the company secured LP gas sales volume by increasing equipment sales and developing new customers. If it can continue to advance these initiatives steadily in 2H, then the probability of being able to cover the impact of crude oil prices seems high.

The crude oil price itself was expected to remain weak in this period also, however, it has been seen to rally temporarily at one point. In FY3/15, the crude oil price fell approximately 47% between the start and the end of the year. In FY3/16, the price has fallen by around 15% from the end of FY3/15 to the end of October; which is a smaller fall than the previous fiscal year in terms of overall magnitude.

Dubai Crude (monthly average prices USD/barrel)



FISCO

ITOCHU ENEX CO.,LTD.
8133 Tokyo Stock Exchange First Section

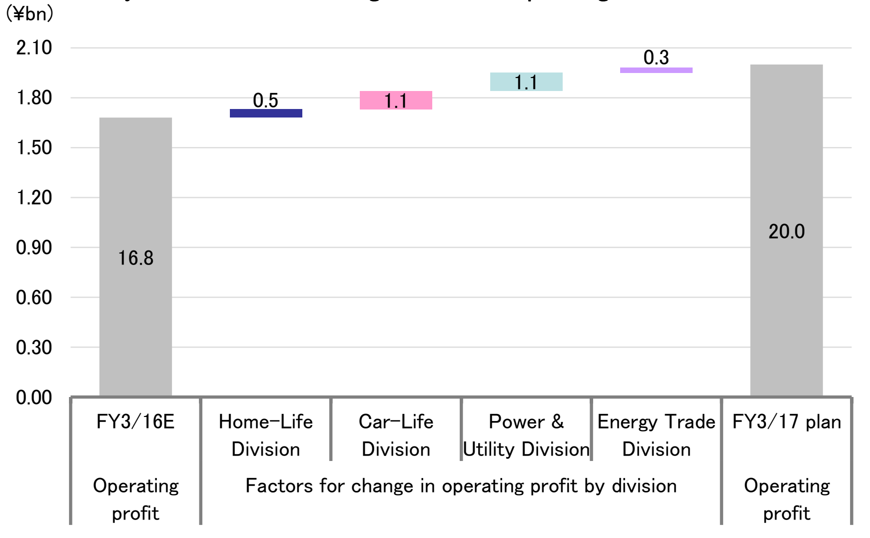
18-Jan.-16

FY3/17 forecast for higher sales and profits, mainly due to the impact of the full liberalization of the retail electricity market

(2) Approach to FY3/17 results

The company has set earnings targets in its medium- to long-term business plan as follows: net sales ¥1,370,000mn (+1.5% YoY), operating profit ¥20,000mn (+19.0%), and net income ¥10,000mn (+22.0%). The main factors for changes between FY3/16 and FY3/17 are a high level of contribution from the Car-Life Division and Power & Utility Division. On the other hand, the Home Trade Division and the Energy Trade Division are expecting low profitability in light of a cautious view of demand for LP gas and petroleum products for industrial use.

Analysis of Factors for Change in Planned Operating Profit for FY3/17



Source: Compiled by FISCO from medium-term business plan materials

The ¥500mn profit increase effect from the Home-Life Division is expected to result from new customer development, equipment sales, and so forth. Risk factors include movements in crude oil prices, however, the scope for declining further from the current level is considered limited.

The surge in profit growth in the Car-Life Division is due to factoring the profit-boosting effect of the model change cycle of NISSAN MOTOR CO., LTD. at OCG. Since a model change effect, such as corporate demand and so forth, can be expected, the level of uncertainty for this component is considered small. In addition, the CS branding effect and the results of measures to strengthen the six car-related businesses are also expected to emerge at this time.

In the Power & Utility Division, the forecast naturally reflects the impact of the full liberalization of the retail electricity market. In FY3/17, the company plans to boost the electricity sales volume by 30% YoY to 2,200 GWh. Of this, 1,700 GWh, or 77%, is planned to come from retail sales. If the company can achieve this, then naturally it will generate profits. Electricity sales to the low-voltage sector will start, and we consider the key thing to focus on there to be not the sales volume in this sector, but securing the ratio of retail sales. This is because the difference in profitability between the retail and wholesale operations seems likely to continue growing.

The profit growth scenario in the Energy Trade Division is mainly based on the recovery in asphalt and in demand for industry users, such as AdBlue and ship fuel. Moreover, the continuing review of inefficient transactions should also help to life profits. New businesses are likely to make only a limited contribution to profits at this stage.

FISCO

ITOCHU ENEX CO.,LTD.
8133 Tokyo Stock Exchange First Section

18-Jan.-16

Consolidated Income Statement

(¥mn)

IFRS	FY3/13	FY3/14	FY3/15		FY3/16	
	Full year	Full year	Q2 (cumulative)	Full year	Q2 (cumulative)	Full year (E)
Sales	1,430,745	1,506,606	696,637	1,373,393	564,118	1,350,000
YoY	1.2%	5.3%	0.8%	-8.8%	-19.0%	-1.7%
Revenue	864,589	966,044	478,762	936,841	374,235	-
YoY	-			-3.0%	-21.8%	-
Gross profit	69,666	71,599	38,999	85,720	42,994	-
YoY	7.8%	2.8%	16.2%	19.7%	10.2%	-
Ratio to revenue	4.9%	4.8%	5.6%	6.2%	7.6%	-
SG&A expenses	55,668	57,862	33,133	71,184	35,887	-
YoY	0.1%	3.9%	18.5%	23.0%	8.3%	-
Ratio to revenue	3.9%	3.8%	4.8%	5.2%	6.4%	-
Profit (loss) from tangible assets, intangible assets and goodwill	-914	-1,460	-308	-1,825	-124	
Other - net	-346	-402	414	389	401	
Total other expense	-56,928	-59,724	-33,027	-72,620	-35,610	-
Operating profit	12,738	11,875	5,972	13,100	7,384	16,800
YoY	42.0%	-6.8%	24.9%	10.3%	23.6%	28.2%
Profit before tax	12,234	13,844	5,714	12,155	6,570	15,200
YoY	-	13.2%	-13.6%	-12.2%	15.0%	25.1%
Net profit	7,393	8,050	3,425	6,529	3,888	-
YoY	-	8.9%	-8.9%	-18.9%	13.5%	-
Net profit attributable to owners of the parent	6,470	7,124	2,807	5,503	3,209	8,200
EPS (¥)	57.26	63.05	24.84	48.71	28.40	72.57
Dividend (¥)	16.00	20.00	11.00	22.00	12.00	24.00
Equity attributable to owners of the parent per share (BPS, ¥)	791.42	833.20	-	862.30	-	-

Consolidated Balance Sheet

(¥mn)

IFRS	FY3/13 end	FY3/14 end	FY3/15 end	Q2 FY3/16 end
Current assets	189,196	188,193	157,708	145,125
Cash and cash equivalents	18,062	14,251	16,184	12,754
Trade receivables	136,578	140,289	98,449	85,580
Inventories	18,134	18,655	27,794	24,578
Other current assets	16,422	14,998	15,281	22,213
Non-current assets	126,697	132,531	171,351	168,529
Investments accounted for by the equity method	6,032	5,927	10,551	9,732
Other investments	8,925	7,349	8,924	8,772
Property, plant and equipment	57,655	66,988	88,836	87,531
Intangible assets	10,999	10,280	23,474	24,097
Other non-current assets	43,086	41,987	39,566	38,397
Total assets	315,893	320,724	329,059	313,654
Current liabilities	161,738	158,336	149,443	125,473
Bonds and borrowings	14,745	11,499	14,208	12,082
Trade payables	124,046	125,655	104,564	86,789
Other current liabilities	22,947	21,182	30,671	26,602
Non-current liabilities	56,500	58,268	66,669	72,892
Bonds and borrowings	26,158	27,099	26,746	32,550
Other non-current liabilities	30,342	31,169	39,923	40,342
Total equity attributable to owners of the parent	89,424	94,651	97,432	99,205
Common stock	19,878	19,878	19,878	19,878
Capital surplus	18,737	18,737	18,743	18,740
Retained earnings	54,086	59,884	62,223	64,101
Other components of equity	-1,527	-2,098	-1,661	-1,762
Treasury stock	-1,750	-1,750	-1,751	-1,752
Non-controlling interests	8,231	9,469	15,515	16,084
Total equity	97,655	104,120	112,947	115,289
Total liabilities and equity	315,893	320,724	329,059	313,654

FISCO

ITOCHU ENEX CO.,LTD.
8133 Tokyo Stock Exchange
First Section

18-Jan.-16

Consolidated Statement of Cash Flows

(¥mn)

IFRS	FY3/13 end	FY3/14 end	FY3/15 end	Q2 FY3/16 end
Cash flows from operating activities	22,754	17,530	34,336	5,480
Cash flows from investing activities	-24,930	-12,556	-20,410	-9,636
Cash flows from financing activities	4,759	-8,859	-12,115	721
Net increase (decrease) in cash and cash equivalents	2,583	-3,885	1,811	-3,435
Cash and cash equivalents at the beginning the period	15,436	18,062	14,251	16,184
Effect of exchange rate changes on cash and cash equivalents	43	74	122	5
Cash and cash equivalents at the end of the period	18,062	14,251	16,184	12,754

Shareholder Returns

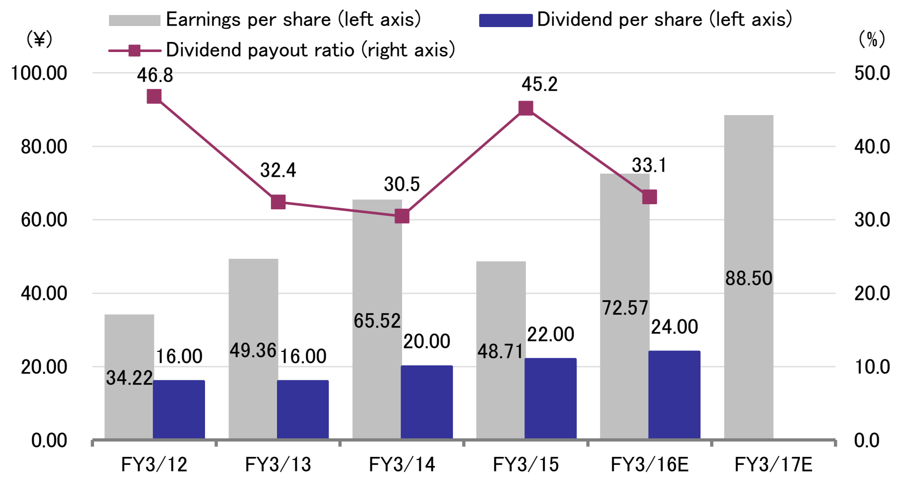
Ample potential to expand shareholder returns in keeping with earnings growth

The basic policy on shareholder returns is to maintain a dividend payout ratio exceeding 30%. In FY3/15, the company increased the annual dividend by ¥2 per share, to ¥22. The company raised dividends that year despite a lower YoY net profit; presumably because of management's stance on emphasizing shareholders and its confidence that the company could return to an earnings growth path from FY3/16.

For FY3/16, the company is forecasting a dividend of ¥24 (interim dividend: ¥12, year-end dividend: ¥12), reflecting a projected 49.0% YoY increase in profit to ¥8,200mn. The dividend forecast was maintained at the time of announcing the Q2 financial results. This represents a dividend payout ratio of 33.1% based on projected earnings per share.

The company has not announced a dividend forecast for FY3/17, however it has clearly indicated a policy of maintaining the payout ratio of 30% or more. We therefore believe that shareholders to expect shareholder returns to expand in line with profit growth.

Earnings Per Share (¥), Dividends Per Share (¥), and Dividend Payout Ratio (%)



Source: Compiled by FISCO from earnings reports and medium-term business plan materials

FISCO

Disclaimer