

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

6-Jan.-17

Important disclosures  
and disclaimers appear  
at the end of this document.FISCO Ltd. Analyst  
Hiroyuki Asakawa

## ■ Posted All-Time High 1H Profits, Confirmed Healthy Progress Toward Medium-Term Business Plan Goals

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 for the group. It has a broad business scope, though mainly sells petroleum products and liquefied petroleum (LP; propane) gas to users ranging from industrial businesses to final consumers.

Earnings rose sharply on lower sales in 1H FY3/17, and gross profit, operating profit, and net profit attributable to owners of the parent reached all-time high 1H levels. While profits declined YoY in the Home-Life Division and Energy Innovation Division due to market conditions and other impacts, the Power & Utility Division posted a significant profit increase on a rise in sales followed by full liberalization of the retail electricity and the Car-Life Division recorded higher profit on a rise in new vehicle sales. Expectations are also growing for Itochu Enex to exceed full-year targets due to healthy business progress again in 2H and boosts from improved market conditions and the yen's depreciation.

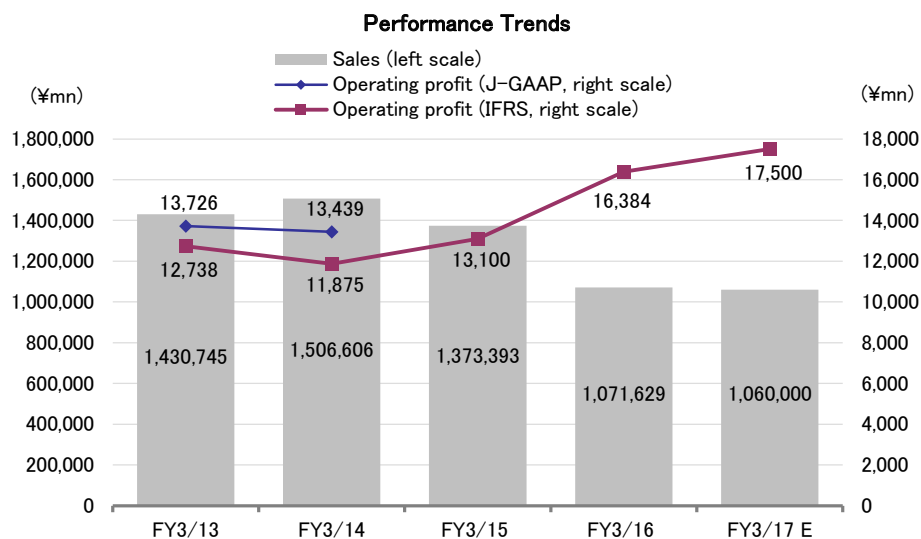
Itochu Enex is currently promoting efforts outlined in the "Moving 2016 —Sowing seeds for tomorrow—" two-year medium-term business plan with FY3/17 as the final year. We think that Itochu Enex has steadily sown seeds for all four business divisions thus far. Timing of reaping benefits will differ in each division, and recent disparities in profit momentum among the divisions reflect this impact. We expect full-fledged the fruition of efforts to come from FY3/18 and anticipate a major change in the profit level from where it stands now once benefits are ready in all divisions.

In the Power & Gas Business Group, the company is promoting electricity sales to ordinary households targeting customers from the Home-Life Division's LP gas business following the start of full liberalization of retail electricity in April 2016. It landed about 16,000 contracts as of end-September thanks to earnest efforts by the seven LP gas sales subsidiaries. We think it made healthy progress toward reaching the goal of 30,000 contracts by the end of FY3/17. Electricity sales volume, including wholesale, increased sharply by 91% YoY to 1,490GWh.

In the Distribution & Energy Innovation Business Group, the Car-Life Division continued to focus on expanding non-fuel sales businesses at Car Life Stations (CS) and withdrawing unprofitable CS. The car rental business and other are steadily ramping up under the new service brand Car Life Stadium. The Energy Innovation Business is strengthening the business portfolio and has launched a recycled oil production and sales business that utilizes shop slop and other materials and cement raw material production using fly ash (coal ash). It is also considering other new areas, such as biomass fuel.

## ■ Check Point

- Reached all-time highs in 1H operating profit and net profit
- Expecting healthy results in FY3/17
- Plans to raise the dividend by ¥3 to ¥27



## ■ Review of 1H FY3/17 results

### Reached all-time highs in 1H operating profit and net profit

Itochu Enex reported 1H FY3/17 results with ¥466,313mn in sales (-17.3% YoY), ¥309,516mn in revenue (-17.3%), ¥7,755mn in operating profit (+5.0%), ¥7,242mn in pretax profit (+10.2%), and ¥3,707mn in net profit attributable to owners of the parent (+15.5%). Profits increased on lower sales, and gross profit, operating profit, and net profit reached all-time 1H highs.

#### Review of 1H FY3/17 Results

(Unit: ¥mn)

	FY3/16		FY3/17				
	1H	Full year	1H	YoY change	Progress rate	Full year (E)	YoY change
Sales	564,118	1,071,629	466,313	-17.3%	44.0%	1,060,000	-1.1%
Revenue	374,235	723,645	309,516	-17.3%	-	-	-
Gross profit	42,994	89,562	43,742	1.7%	-	-	-
SG&A expenses	35,887	73,226	36,210	0.9%	-	-	-
Operating profit	7,384	16,384	7,755	5.0%	44.3%	17,500	6.8%
Pretax profit	6,570	15,004	7,242	10.2%	42.6%	17,000	13.3%
Net profit attributable to owners of the parent	3,209	7,469	3,707	15.5%	37.1%	10,000	33.9%

Source: Prepared by FISCO Ltd. from earnings reports

We cannot make comparisons with a plan because Itochu Enex did not disclose 1H guidance, but we think profits were strong in 1H in line with or modestly exceeding guidance based on progress rates toward FY3/17 targets. Operating profit reached an all-time 1H high, as mentioned above, and actual business confirmed smooth progress in measures targeted by the medium-term business plan. We think these results demonstrated a healthy qualitative outcome.

Details are explained below. Looking at the breakdown by business segment, sales dropped YoY, except in the Power & Utility Division, due to the impact of lower crude oil prices and yen's appreciation. However, progress rates are in the 40-50% range versus period-start FY3/17 targets for all segments, and this suggests that sales were relatively brisk.

Profits climbed YoY in the Power & Utility Division and Car-Life Division. While fulfillment versus the initial FY3/17 guidance varied considerably from 13.8% for the Home-Life Division to 88.1% for the Power & Utility Division, the companywide rate was 44.3%. Many of the company's businesses and products receive stronger demand in 2H, and we think a fulfillment rate of over 40% on a companywide basis is sufficiently high.

### Detailed Results by Business Segment

(Unit: ¥mn)

		FY3/16		FY3/17			
		1H	Full year	1H	YoY change	Progress rate	Full year (E)
Sales	Home-Life Division	44,201	95,126	37,137	-16.0%	39.2%	94,700
	Power & Utility Division	21,152	43,495	29,873	41.2%	50.9%	58,700
	Car-Life Division	274,465	534,156	232,810	-15.2%	43.2%	538,400
	Energy Innovation Division	224,300	398,852	166,493	-25.8%	44.8%	371,300
	Others	0	0	-	-	-	-
	Sales prior to adjustments (total)	564,118	1,071,629	466,313	-17.3%	43.9%	1,063,100
	Adjustment value	-	-	-	-	-	-3,100
	Sales total	564,118	1,071,629	466,313	-17.3%	44.0%	1,060,000
Operating profit	Home-Life Division	895	3,367	692	-22.7%	13.8%	5,000
	Power & Utility Division	2,642	4,439	3,434	30.0%	88.1%	3,900
	Car-Life Division	1,434	4,194	1,538	7.3%	32.0%	4,800
	Energy Innovation Division	1,862	3,774	1,494	-19.8%	39.3%	3,800
	Others	1	1	-	-	-	-
	Operating profit prior to adjustments (total)	6,834	15,775	7,158	4.7%	40.9%	17,500
	Adjustment value	550	609	597	8.5%	-	-
	Operating profit total	7,384	16,384	7,755	5.0%	44.3%	17,500

Source: Prepared by FISCO Ltd. from earnings reports and briefing materials

## ■ Detailed trends in the various business segments

### Implemented reorganization to unify and accelerate strategy formulation and business development

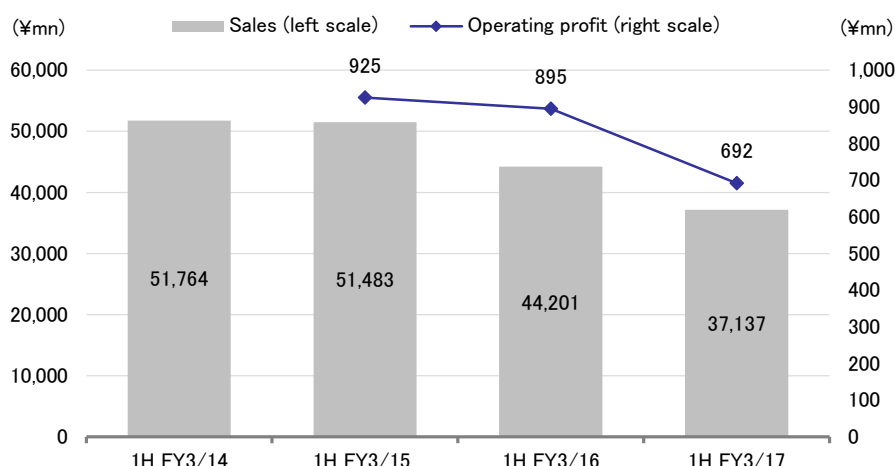
Itochu Enex started the "Moving 2016 —Sowing seeds for tomorrow—" two-year medium-term business plan in April 2015, and FY3/17 is the second (final) year. It implemented business unit reorganization at the beginning of FY3/17 that placed the Home-Life Division and Power & Utility Division under the Power & Gas Business Group and the Car-Life Division and Energy Innovation Division under the Distribution & Energy Innovation Business Group. The reorganization seeks to unify and accelerate strategy formulation and business development by consolidating related business areas amid an increasingly difficult environment (mainly sustained pullback of oil demand and tougher competitive conditions due to full liberalization in electricity and gas retail market).

We expect actual results to determine assessment of the current business plan as a whole, including reorganization. As explained above, the company has made steady progress so far. We think Itochu Enex has "sown seeds" in all four businesses and differences in segment earnings trends depend on the timing of manifestations of benefits.

### (1) Home-Life Division

The Home-Life Division reported ¥37,137mn in sales (-16.0% YoY) and ¥692mn in operating profit (-22.7%) in 1H FY3/17. Both sales and profits declined, and profit fulfillment of the full-year target was just 13.8%.

Home-Life Division – 1H FY3/17 Results



Source: Prepared by FISCO Ltd. from company materials

Sales fell because of a 1.8% YoY drop in LP gas sales volume. We attribute the weakness to pullback in automotive gas (taxi fuel) demand and warmer weather in western Japan. Operating profit declined due to sluggish equipment sales. Profitability at associates accounted for by the equity method influences the Home-Life Division's profit. In this regard, profitability at associates accounted for by the equity method had improved in 1H FY3/17 and lifted net income attributable to owners of the parent to ¥58mn from a loss of ¥293mn.

The Home-Life Division's core business is selling LP gas. Itochu Enex sells LP gas to about 350,000 households through sales subsidiaries. It also sells LP gas on a wholesale basis to about 1,900 distributors (LP gas sales outlets) and covers about 1.08mn households nationwide on a combined basis. A key characteristic of this business is that the fuel cost adjustment system keeps the spread between the sales prices and raw material price (contract price; CP), which corresponds to the company's margin, at a certain level. This means that securing sales volume is important for earnings. However, weather impact caused a decline in 1H FY3/17 earnings as noted earlier. Additionally, automotive-gas (taxi fuel) sales account for about 15-20% of overall domestic demand for LP gas. Yet demand is trending lower in this area because of replacement to hybrid vehicles and electricity vehicles, and having an impact on its performance.

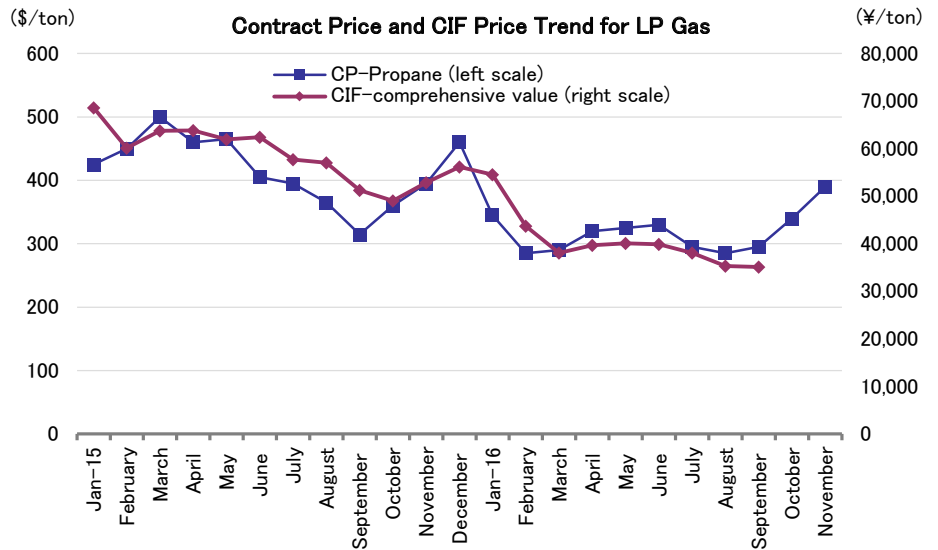
Changes in inventory impact affect income in the Home-Life Division because of its extensive inventories, and CP fluctuation is an important factor in the change in inventory impact value. While CP was roughly flat in 1H FY3/17 with period-start CP (end-March) at \$290/ton (propane) and period-end CP (end-September) at \$295/ton, the forex rate's rapid yen's appreciation lowered yen-denominated pricing and this adversely affected inventory impact value. However, the negative impact was smaller than in 1H FY3/16 and this contributed favorably to earnings from a YoY perspective.

A distinctive factor for declining profit in 1H FY3/17 was lackluster sales of new energy equipment. Equipment sales have a large impact on segment profits, but are normally relatively stable. Yet sales were not weaker for any particular reason in 1H, and this lends support to expectations for a rebound from 2H.



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Source: Prepared by FISCO Ltd.

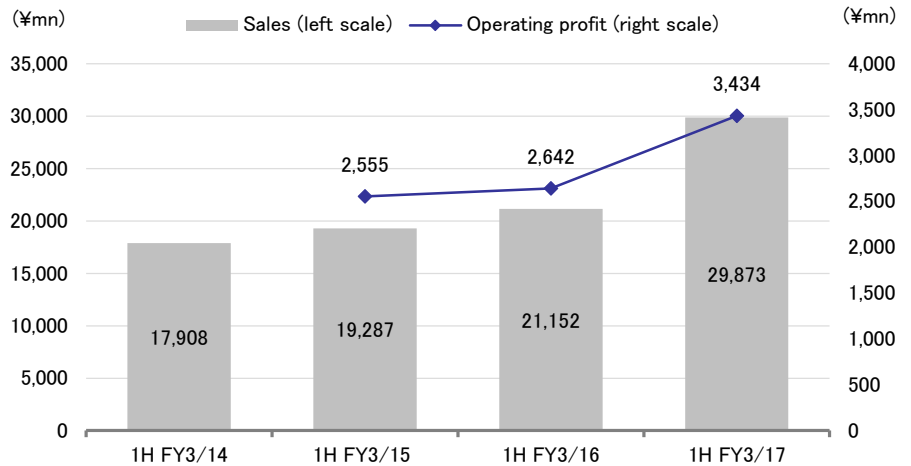
The Home-Life Division forms the Power & Gas Business Group along with the Power & Utility Division, and retail electricity to households following full liberalization of electricity sales from April 2016 offer a concrete example of synergy. Itochu Enex Home-Life Kanto Co., Ltd. and Ecore Co., Ltd. spearheaded this effort and other group companies in Hokkaido, Tohoku, Chubu, Kansai, and Nishi-Nihon launched electricity retail sales too from August 2016. The company landed about 16,000 contracts through 1H, and we think it made healthy progress toward reaching the goal of 30,000 contracts by the end of FY3/17.

The Home-Life Division is pursuing overseas business as its “seed sowing” in the current medium-term business plan. It participated and invested in an LP gas business in the Philippines in May 2016. This deal involved investing in Isla Petroleum & Gas Corporation (IP&G), which Itochu Corporation operates with a local partner, as an indirect investment. IP&G has already ramped up as a business, and the investment hence does not have much risk and should provide a gain from investments accounted for by the equity method even in FY3/17. Itochu Enex has also entered an industrial gas business in Indonesia. The local entity finished building its headquarters and gas filling facilities in September 2016 and aims to grow sales of industrial gases, mainly to local Japan-affiliated firms, from 2H. While the business is likely to need some time until it makes profit contributions as it is a greenfield investment, Itochu Enex plans to steadily expand it while carefully managing risk.

## (2) Power & Utility Division

The Power & Utility Division reported ¥29,873mn in sales (+41.2% YoY) and ¥3,434mn in operating profit (+30.0%) in 1H FY3/17. Profit fulfillment of the full-year target was very high at 88.1%.

**Power & Utility Division – 1H FY3/17 Results**

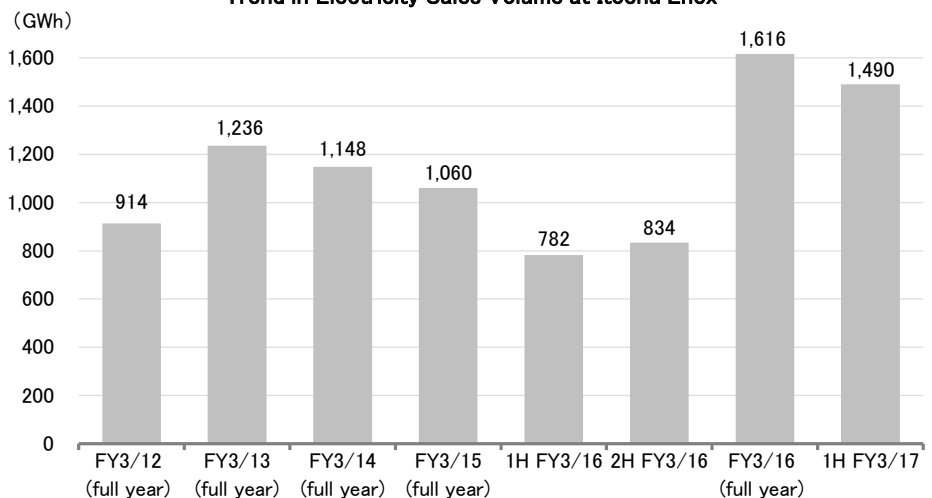


Source: Prepared by FISCO Ltd. from company materials

Electricity sales volume increased sharply in 1H FY3/17 with a 91% gain from 782GWh in 1H FY3/16 to 1,490GWh. Contracts in the household low-voltage sector increased to about 16,000 on full liberalization of electricity retail sales, as noted earlier, and Itochu Enex also steadily expanded high-voltage sector customers. These healthy gains in retail sales sites contributed to smooth growth in electricity sales and higher incomes at Itochu Enex (self-generated power business run by wholly-owned subsidiary Enex Electric Power Co., Ltd.) and subsidiary Oji-Itochu Enex Power Retailing Co., Ltd. (60% owned by Itochu Enex).

Heat supply, the other business in this division, saw higher cooling demand in 1H because the average temperature in eastern Japan exceeded the previous year. Reduction of electricity prices through “the fuel cost adjustment system” helped increase profit too.

**Trend in Electricity Sales Volume at Itochu Enex**



Source: Prepared by FISCO Ltd. from company materials

Itochu Enex has been “sowing seeds” in the Power & Utility Division in keeping with the medium-term business plan especially for power-related businesses, and some have already started to pay off. While the timing of “seed sowing” is not that clear, we briefly review measures in the power-related business below.

### Initiatives in the Power Business

Initiative content	Current situation and outlook
Megasolar power generation at Hofu Energy Service Co., Ltd.	Enex Electric Power Co., Ltd. subsidiary; started operating in January 2016 with an output capacity of 1,500kW
Formation of a balancing group	Seven group companies plus Tottori Citizen Electricity Co., Ltd. and Todock Electricity Co., Ltd., currently operating
Establishment of Oji-Itochu Enex Power Retailing Co., Ltd.	Procures and sells electricity from Oji Holdings Corporation
Establishment of Sendai Power Station	Joint venture between Enex Electric Power Co., Ltd. and Kansai Electric Power Company, Incorporated slated to begin operating in October 2017 with an output capacity of 112,000kW; Itochu Enex will receive half of the output

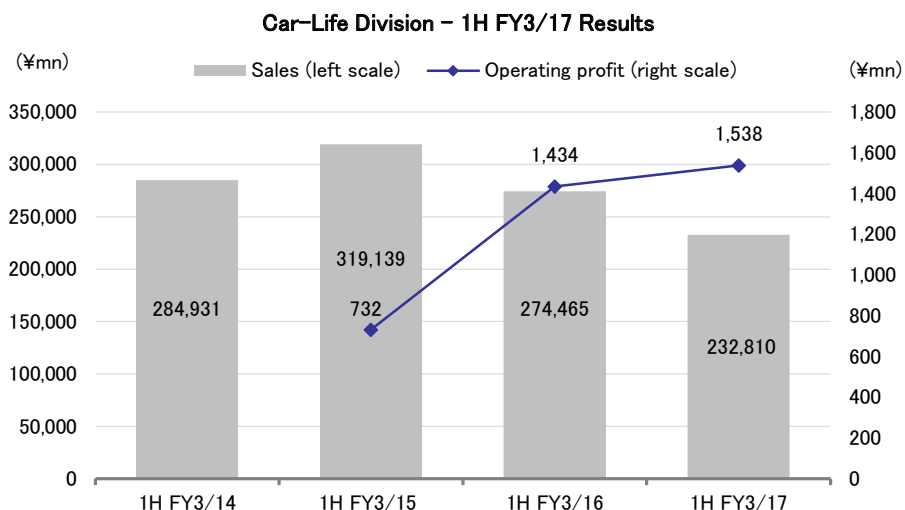
Source: Prepared by FISCO Ltd.

Itochu Enex is making healthy progress in customer development in the low-voltage sector through collaboration with LP gas sales subsidiaries from the Home-Life Division and reached about 16,000 contracts in 1H. The company’s seven LP gas subsidiaries have a total customer base of roughly 350,000 households for direct sales and 1.08mn households including sales through distributors, as mentioned above. We expect Itochu Enex to strive further to acquire electricity contracts mainly from direct-sales customers for the time being. Furthermore, Oji-Itochu Enex Power Retailing has been posting strong electricity sales and contributed substantially to the rise in 1H electricity sales volume. Sendai Power Station is likely to start contributing from 2H FY3/18.

The balancing group for electricity retail sales currently only has two companies outside of the corporate group, and we think Itochu Enex needs to work on new recruitment in this area. However, it should be able to achieve plan targets for the time being if it steadily recruits the existing customer base from the seven group companies of roughly 350,000 households for direct sales and 1.08mn households including sales through distributors.

### (3) Car-Life Division

The Car-Life Division reported ¥232,810mn in sales (-15.2% YoY) and ¥1,538mn in operating profit (+7.3%) in 1H FY3/17. Profit increased on lower sales, and profit fulfillment of the full-year target was 32.0%.

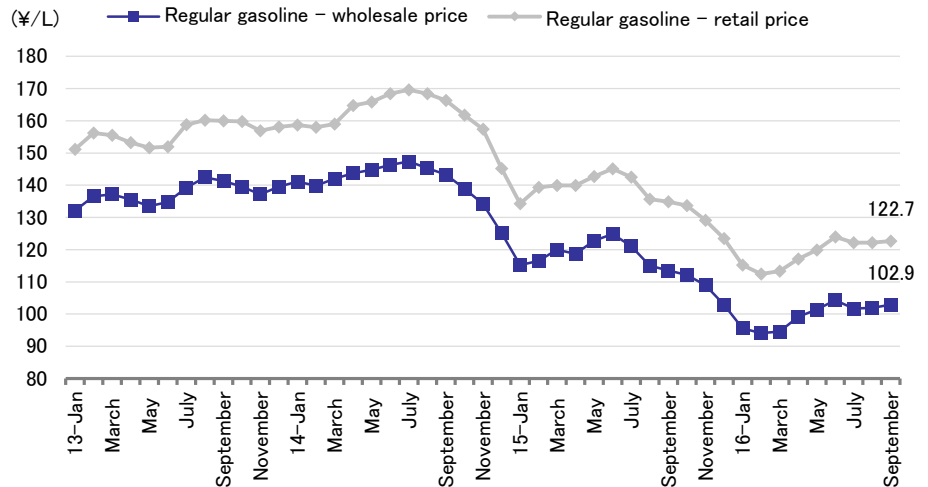


Source: Prepared by FISCO Ltd. from company materials

Gasoline sales volume slipped 0.3% YoY due to a continued downturn trend in demand for gasoline and other fuel oils. Yet the gasoline price recovered from a bottom in February 2016 and the average price was down about 13% YoY in 1H FY3/17. Car-Life Division sales fell 15.2% YoY mainly on these factors.

Profit increased versus the previous year thanks to reduction in unprofitable CS with 36 net closures compared to end-March 2016 and contributions from Nissan Osaka Sales Co., Ltd. In regard to Nissan Osaka Sales, while the falsification incident at Mitsubishi Motors Corporation (7211) heavily affected light-vehicle sales, Nissan Osaka Sales still increased profit because of stronger sales of other models, cost reductions, and higher sales of the new Serena.

**Gasoline Price Trend (January 2013 to September 2016)**



Source: Prepared by FISCO Ltd.

The new Car-Life Stadium Brand for businesses and services is the “seed sowing” effort in the Car-Life Division. The 1,937 CS operated by the Itochu Enex group (as of end-September 2016) currently use a variety of gasoline station brands. The company hopes to improve marketing efficiency with the rollout of an integrated brand for services other than gasoline sales. Additionally, it has accelerated efforts to enhance profitability of individual sites by strengthening the six vehicle-related businesses, including car rentals, car inspections, and body work, and deploying a new POS system.

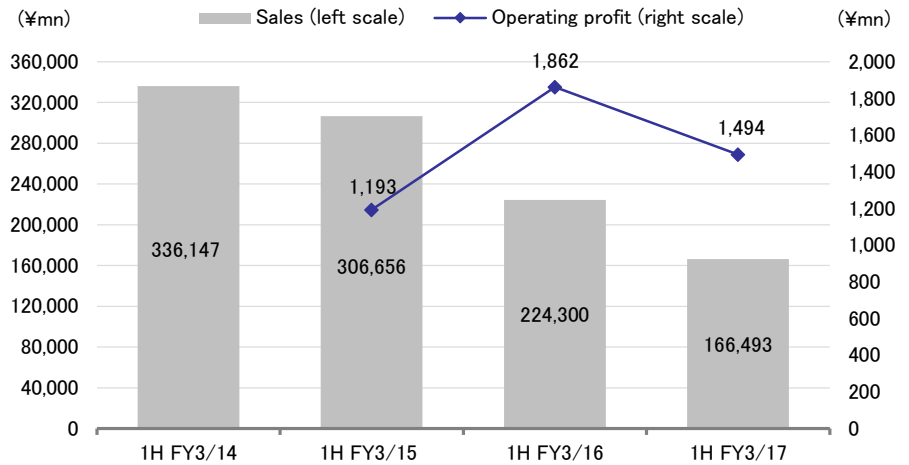
Within these efforts, there are cases where Itochu Enex has developed Car-Stadium Rental Car (dedicated store) operation in the car rental business. In the car wash business, it expanded member stores for the Japan Car Wash Federation, a car-wash portal site, to 2,118 locations through the end of September through promoting the use of “Sensya Senka” service by the general public. Furthermore, it is pursuing functional differentiation by starting “Driver Channel,” a communication service that utilizes a large monitor and tablets at CS locations.

**(4) Energy Innovation Division**

The Energy Innovation Division reported ¥166,493mn in sales (-25.8% YoY) and ¥1,494mn in operating profit (-19.8%) in 1H FY3/17. Both sales and profits declined, and profit fulfillment of the full-year target was 39.3%.



### Energy Innovation Division – 1H FY3/17 Results

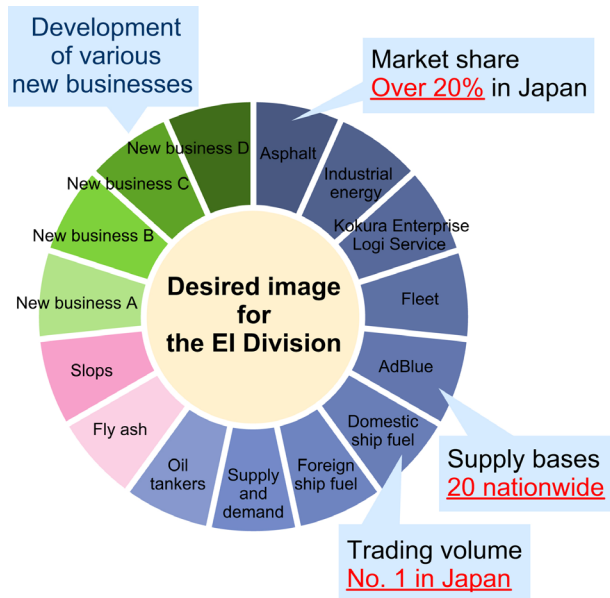


Source: Prepared by FISCO Ltd. from company materials

Sales fell sharply because of the impact of a slump in crude oil prices and the company's progress in revising inefficient transactions, and the size of the sales decline hence does not directly affect earnings. This aspect is the same as seen in the previous fiscal year. In fact, sales volume in asphalt business, a business where the company holds a domestic share of over 20%, was up 0.9% YoY. Itochu Enex also steadily increased income in the AdBlue business with 20 supply bases in Japan and domestic ship fuel, a market in which the company holds a top handling volume share.

“Seed sowing” in the Energy Innovation Division employs an overall “portfolio management” concept. The company aims to reinforce the business foundation for existing businesses, such as asphalt, AdBlue, and ship fuel sold in Japan and other countries, by strengthening distribution functions and optimizing assets via existing business bases, transport ships, and trucks. It also targets development of new businesses and building a diversified portfolio. New businesses launched under the current medium-term business plan include extraction of recycled oil from slop (tank cleaning waste fluid) and sludge (unburned ship fuel) and processing of ash waste from coal-fired thermal plants into cement raw material (fly ash). The company also established Kokura Enterprise Logi Service Co., Ltd. to pursue a small-volume fuel sales service.

### Image of the Portfolio Management Strategy for the Energy Innovation Division



Source: From briefing materials

## ■ FY3/17 outlook

### Expecting healthy results in FY3/17

Itochu Enex projects ¥1,060,000mn in sales (-1.1% YoY), ¥17,500mn in operating profit (+6.8%), ¥17,000mn in pretax profit (+13.3%), and ¥10,000mn in net profit attributable to owners of the parent (+33.9%) for FY3/17. These targets are the same as values from the start of the fiscal year.

We review details below. We expect the company to deliver FY3/17 results that exceed current targets. One reason is the high fulfillment rate in 1H for the Power & Utility Division. Our view also considers strong trends in crude oil price and various energy product prices driven by it. Other positives are the boost to domestic prices from a weaker yen and recovery in volume for some products as demand rebounds. Weather heavily affects the company's results, and this leaves some uncertainty. Yet we think the business environment itself has many positives.

#### Detailed Results by Business Segment

(Unit: ¥mn)

		FY3/16			FY3/17				
		1H	2H	Full year	1H	2H (E)	YoY change	Full year (E)	YoY change
Sales	Home-Life Division	44,201	50,925	95,126	37,137	57,563	13.0%	94,700	-0.4%
	Power & Utility Division	21,152	22,343	43,495	29,873	28,827	29.0%	58,700	35.0%
	Car-Life Division	274,465	259,691	534,156	232,810	305,590	17.7%	538,400	0.8%
	Energy Innovation Division	224,300	174,552	398,852	166,493	204,807	17.3%	371,300	-6.9%
	Others	0	0	0	-	-	-	-	-
	Sales prior to adjustments (total)	564,118	507,511	1,071,629	466,313	596,787	17.6%	1,063,100	-0.8%
	Adjustment value	-	-	-	-	-3,100	-	-3,100	-
	Sales total	564,118	507,511	1,071,629	466,313	593,687	17.0%	1,060,000	-1.1%
Operating profit	Home-Life Division	895	2,472	3,367	692	4,308	74.3%	5,000	48.5%
	Power & Utility Division	2,642	1,797	4,439	3,434	466	-74.1%	3,900	-12.1%
	Car-Life Division	1,434	2,760	4,194	1,538	3,262	18.2%	4,800	14.4%
	Energy Innovation Division	1,862	1,912	3,774	1,494	2,306	20.6%	3,800	0.7%
	Others	1	0	1	-	-	-	-	-
	Operating profit prior to adjustments (total)	6,834	8,941	15,775	7,158	10,342	15.7%	17,500	10.9%
	Adjustment value	550	59	609	597	-597	-	-	-
	Operating profit total	7,384	9,000	16,384	7,755	9,745	8.3%	17,500	6.8%

Source: Prepared by FISCO Ltd. from briefing materials

#### (1) Home-Life Division

The FY3/17 segment guidance calls for ¥94,700mn in sales (-0.4% YoY) and ¥5,000mn in operating profit (+48.5%). While the segment faces a tough 2H hurdle because of weak earnings progress through 1H, we believe the target is attainable.

The LP gas CP has risen sharply in 2H. It increased from September's \$295/ton to \$340/ton in October and \$390/ton in November. Furthermore, the yen weakened to ¥113/\$ as of the second half of November. The company's outlook, meanwhile, assumes CP of \$270/ton. While the forex rate view is not clear, the current level is roughly on par with the ¥113 range from March 2016. We expect a positive impact from the inventory impact value (lifting profit) if the level of current market price continues during 2H.

Volume demand for LP gas is seasonally stronger in 2H, and this means that sales volume should increase compared to 1H. Weather strongly influences YoY changes in demand. Temperatures in western Japan have a large impact because eastern Japan to northern Japan regularly consumes a certain amount with just modest fluctuation. We will be closely monitoring this point.

Equipment sales contributed to profit decline in 1H because of sluggish sales, but demand should rebound in 2H. We do not think business environment changes caused the 1H weakness and expect a recovery to the previous-year level by placing more emphasis on sales efforts.



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## (2) Power & Utility Division

The FY3/17 segment guidance calls for ¥58,700mn in sales (+35.0% YoY) and ¥3,900mn in operating profit (-12.1%). Progress through 1H was a robust 88.1%, and this means that the segment only needs ¥466mn in 2H to reach the full-year target.

Electricity sales volume in 1H totaled 1,490GWh, as noted above, in the power business. While management raised the FY3/17 sales volume target from the initial 2,000GWh to 2,500GWh or slightly more at the briefing, we think this level is still conservative. We expect steady build-up of high voltage business, which mainly consists of large-volume customers, and do not see any demand-related factors pointing to declines. Outlooks for power source procurement and sales on the supply have not changed from 1H for Itochu Enex and Oji-Itochu Enex Power Retailing. While transaction volume with JEPX has exhibited some change, we think this aspect has less impact on earnings than retail sales.

The heat supply business is slated for scheduled maintenance in 2H, but this had been initially scheduled and does not affect the earnings plan. We do not expect 2H segment profit to only reach ¥466mn even with this impact.

## (3) Car-Life Division

The FY3/17 segment guidance calls for ¥538,400mn in sales (+0.8% YoY) and ¥4,800mn in operating profit (+14.4%). This segment posted an operating loss in 1Q, but rebounded in 2Q and ended up achieving a profit increase YoY in 1H. We believe it is capable of attaining an 18.2% (roughly ¥500mn) YoY increase in 2H and reaching the period-start target.

We expect flat sales YoY in gasoline and other fuel products in the CS business. However, the company should be capable of expanding profit due to improvements in wholesale business efficiency and exists from unprofitable CS. We think the six vehicle-related businesses, besides gasoline sales at CS, are growing at a steady, though moderate, pace with car rentals, car washes, and car inspections as the leading services. These areas should increase earnings too. Nissan Osaka Sales, which expanded profits in 1H, is likely to sustain strong results in 2H too with sales increases of the Serena in year-end and fiscal year-end demand seasons following a full model change.

## (4) Energy Innovation Division

The FY3/17 segment guidance projects ¥371,300mn in sales (-6.9% YoY) and ¥3,800mn in operating profit (+0.7%). The Energy Innovation Division needs a 20.6% YoY increase in 2H profits in order to reach the full-year target because profit only made it to 39.3% through 1H.

Demand recovered in the mainstay asphalt business and sales volume increased YoY. We think a key issue is whether the strong demand continues in 2H, the higher demand phase for the asphalt business. Other points are the extent of growth in new businesses, including recycled oil production from slop and sludge, fly ash, and small-volume fuel delivery service. We believe that the Energy Innovation Division can post a YoY profit increase if earnings from these businesses grow and the company makes progress in efforts from the past few years to revise inefficient transactions.

**Income Statement**

(Unit: ¥mn)

	FY3/14	FY3/15	FY3/16		FY3/17	
	Full year	Full year	1H	Full year	1H	Full year (E)
Sales	1,506,606	1,373,393	564,118	1,071,629	466,313	1,060,000
YoY change	5.3%	-8.8%	-19.0%	-22.0%	-17.3%	-1.1%
Revenue	966,044	936,841	374,235	723,645	309,516	-
YoY change	11.7%	-3.0%	-21.8%	-22.8%	-17.3%	-
Gross profit	71,599	85,720	42,994	89,562	43,742	-
YoY change	2.8%	19.7%	10.2%	4.5%	1.7%	-
Ratio to sales	4.8%	6.2%	7.6%	8.4%	9.4%	-
SG&A expenses	57,862	71,184	35,887	73,226	36,210	-
YoY change	3.9%	23.0%	8.3%	2.9%	0.9%	-
Ratio to sales	3.8%	5.2%	6.4%	6.8%	7.8%	-
Fixed asset income	-1,460	-1,825	-124	-593	-354	-
Other income	-402	389	401	641	577	-
Other income and costs (total)	-59,724	-72,620	-35,610	-73,178	-35,987	-
Operating profit	11,875	13,100	7,384	16,384	7,755	17,500
YoY change	-6.8%	10.3%	23.6%	25.1%	5.0%	6.8%
Pretax profit	13,844	12,155	6,570	15,004	7,242	17,000
YoY change	13.2%	-12.2%	15.0%	23.4%	10.2%	13.3%
Net profit attributable to owners of the parent	7,124	5,503	3,209	7,469	3,707	10,000
YoY change	10.1%	-22.8%	14.3%	35.7%	15.5%	33.9%
EPS (¥)	63.05	48.71	28.40	66.10	32.81	88.50
Dividend (¥)	20.00	22.00	12.00	24.00	13.50	27.00
Portion attributable to company stock per share (BPS, ¥)	833.20	862.30	-	889.70	-	-

Source: Prepared by FISCO Ltd. from earnings reports

**Balance sheet**

(Unit: ¥mn)

	IFRS standard			
	FY3/14	FY3/15	FY3/16	1H FY3/17
Current assets	188,193	157,708	137,865	145,822
Cash and equivalents	14,251	16,184	20,824	17,406
Operating credits	140,289	98,449	71,968	76,285
Inventory assets	18,655	27,794	25,160	23,801
Non-current assets	132,531	171,351	166,188	164,836
Equity method investments	5,927	10,551	8,786	9,762
Other investments	7,349	8,924	8,029	7,315
Tangible fixed assets	66,988	88,836	88,311	88,066
Intangible fixed assets	10,280	23,474	24,329	24,048
Assets total	320,724	329,059	304,053	310,658
Current liabilities	158,336	149,443	111,997	114,560
Corporate bonds and loans	11,499	14,208	5,299	9,349
Operating liabilities	125,655	104,564	80,745	80,722
Non-current liabilities	58,268	66,669	74,894	76,437
Corporate bonds and loans	27,099	26,746	32,366	32,865
Equity attributable to owners of the parent (total)	94,651	97,432	100,526	102,395
Equity	19,878	19,878	19,878	19,878
Capital surplus	18,737	18,743	18,740	18,740
Retained earnings	59,884	62,223	66,024	68,152
Others	-2,098	-1,661	-2,364	-2,623
Treasury shares	-1,750	-1,751	-1,752	-1,752
Non-controlling interests	9,469	15,515	16,636	17,266
Equity total	104,120	112,947	117,162	119,661
Liabilities and capital total	320,724	329,059	304,053	310,658

Source: Prepared by FISCO Ltd. from earnings reports

**Cash Flow Statement**

(Unit: ¥mn)

	IFRS standard			
	FY3/14	FY3/15	FY3/16	1H FY3/17
CF from operating activities	17,530	34,336	30,322	3,708
CF from investment activities	-12,556	-20,410	-16,673	-9,317
CF from financing activities	-8,859	-12,115	-9,059	2,261
Changes in cash and deposits	-3,885	1,811	4,590	-3,348
Period-start cash and deposits balance	18,062	14,251	16,184	20,824
Currency fluctuation impact value	74	122	-27	-70
Period-end cash and deposits balance	14,251	16,184	20,824	17,406

Source: Prepared by FISCO Ltd. from earnings reports

## Shareholder Returns

### Plans to raise the dividend by ¥3 to ¥27

The basic policy on shareholder returns is to maintain a dividend payout ratio of at least 30%. For FY3/17, Itochu Enex disclosed a dividend outlook of a ¥3 hike to ¥27 (¥13.5 interim, ¥13.5 year-end). It paid a ¥13.5 interim dividend in line with period-start guidance at the end of 1H.

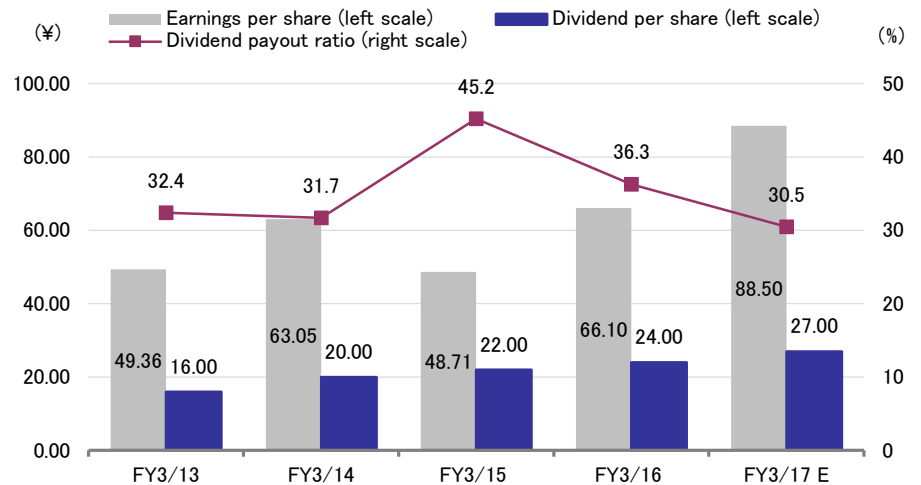
Itochu Enex maintained the FY3/17 dividend target at ¥27. As before, it forecasts ¥10,000mn in net profit attributable to owners of the parent, or ¥88.5 in earnings per share, for FY3/17. These levels put the dividend payout ratio at 30.5%. We retain our view of expecting an increase of the dividend in a phase of further profit expansion in light of Itochu Enex's policy of a 30% payout ratio.

ITOCHU ENEX CO.,LTD.

8133 Tokyo Stock Exchange  
First Section

6-Jan.-17

**Earnings and Dividend Per Share and Dividend Payout Ratio Trends**



Source: Prepared by FISCO Ltd. from earnings reports

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