

This document is an English translation of quarterly financial results report released on January 31, 2019 and written initially in Japanese.
The Japanese original should be considered as the primary version.



January 31, 2019

Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2019 <under IFRSs>

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 Listing: Tokyo Stock Exchange, 1st Section
 Stock code: 8133
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Scheduled date to file quarterly securities report: February 12, 2019

Scheduled date to commence dividend payments: –

Preparation of supplementary results briefing material on quarterly financial results: None

Holding of quarterly financial results presentation meeting: None

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

1. Consolidated financial results for the first nine months of the fiscal year ending March 31, 2019 (from April 1, 2018 to December 31, 2018)

(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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended												
December 31, 2018	931,822	14.5	13,267	(7.2)	13,566	(13.6)	9,400	(14.0)	7,812	(15.8)	9,238	(21.5)
December 31, 2017	814,044	11.5	14,299	5.0	15,693	20.1	10,929	27.6	9,278	34.2	11,769	35.4

	Basic earnings per share attributable to Itochu Enex's shareholders	Diluted earnings per share attributable to Itochu Enex's shareholders
Nine months ended	Yen	Yen
December 31, 2018	69.21	–
December 31, 2017	82.15	–

Note: "Total trading transactions" are presented in accordance with the Japanese accounting practices.

(2) Consolidated financial position

	Total assets	Total equity	Total shareholders' equity	Ratio of shareholders' equity to total assets
As of	Millions of yen	Millions of yen	Millions of yen	%
December 31, 2018	375,809	140,650	118,809	31.6
March 31, 2018	382,621	137,066	116,104	30.3

2. Cash dividends

	Annual cash dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended	Yen	Yen	Yen	Yen	Yen
March 31, 2018	–	16.00	–	24.00	40.00
Fiscal year ending	–	20.00	–		
March 31, 2019					
Fiscal year ending				20.00	40.00
March 31, 2019 (Forecast)					

Note: Revisions to the forecasts of cash dividends most recently announced: None

**3. Consolidated earnings forecasts for the fiscal year ending March 31, 2019
(from April 1, 2018 to March 31, 2019)**

(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
Fiscal year ending March 31, 2019	1,250,000	8.1	18,700	9.0	18,500	(3.5)	11,300	2.5	100.11

Note: Revisions to the consolidated earnings forecasts most recently announced: None

*** 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: Yes
- b. Changes in accounting policies other than the above: None
- c. Changes in accounting estimates: None

(Note) For details, please refer to “2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto, (6) Changes in Accounting Policies” on page 14 of the attached materials.

(3) Number of issued shares (common stock)

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

December 31, 2018	116,881,106 shares
As of March 31, 2018	116,881,106 shares

b. Number of treasury stock at end of period

December 31, 2018	4,002,381 shares
As of March 31, 2018	4,002,135 shares

c. Average number of outstanding shares during period (cumulative from the beginning of the fiscal year)

For the nine months ended December 31, 2018	112,878,888 shares
For the nine months ended December 31, 2017	112,933,910 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special notes

(Caution regarding forward-looking statements and others)

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. Qualitative Information Regarding Results for the First Nine Months, (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements” on page 6 of the attached materials for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

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1. Qualitative Information Regarding Results for the First Nine Months

(1) Explanation of Operating Results

The Group has adopted IFRS 15 “Revenue from Contracts with Customers” from the first quarter ended June 30, 2018. For the details of the impact of the adoption of IFRS 15, please refer to “2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto, (6) Changes in Accounting Policies.”

1) Results of operations

During the nine months ended December 31, 2018, the tone of the Japanese economy was one of moderate recovery, driven by favorable corporate earnings and other factors. However, the outlook for the economy remained uncertain due to risks of a slowdown in the global economy, stemming from such issues as the impact on the global economy of US trade policy trends and uncertainties in overseas economies.

In this environment, the Itochu Enex Group announced its two-year medium-term business plan “Moving 2018 Connecting to the future” in April 2017, and has been advancing its business based on the following basic policies:

<1> “Connecting to future growth” — Reforming the revenue base —

- (1) Optimizing resources
- (2) Improving profitability
- (3) Developing the customer base

<2> “Connecting people and functions of the Group” — Reforming the organizational base —

- (1) Reinforcing organizational strength
- (2) Nurturing autonomous human resources
- (3) Promoting ENEX EARLY BIRD, a Plan to Transform Our Approach to Work

The operating results for the nine months ended December 31, 2018 are as follows.

Revenue was ¥750,618 million (up 38.0% year on year), due mainly to the impact on price resulting from the increase in prices of domestic petroleum products.

Profit from operating activities was ¥13,267 million (down 7.2% year on year). This was due mainly to higher profit in the petroleum product sales field and the petroleum product trading field of the Life & Industrial Energy Division, while profit fell in the electricity sales field of the Power & Utility Division, in addition to which the loss from tangible assets, intangible assets and goodwill, and other – net profit both deteriorated.

Net profit attributable to Itochu Enex’s shareholders was ¥7,812 million (down 15.8% year on year), due mainly to the reaction to the profits recognized in the corresponding period of the previous fiscal year related to the reorganization and integration with the Osaka Gas Group, despite an increase in earnings of associates accounted for by the equity method in the Home-Life Business.

2) Results of operations by segment

Results of operations by segment are as follows. Following the reorganization of the Group carried out in April 2018, the reportable segments have changed.

As part of the reorganization, the Life & Industrial Energy Division was newly established by integrating the former Life Energy & Logistics Division and the Industrial Energy & Logistics Division. In addition, we newly established the Mobility Life Department.

In line with this, the classification of reportable segments has been changed from the previous Home-

Life Division, Power & Utility Division, Life Energy & Logistics Division and Industrial Energy & Logistics Division to the Home-Life Division, Life & Industrial Energy Division, Power & Utility Division and Mobility Life Department from the first quarter ended June 30, 2018.

For that reason, the year-on-year comparisons have been recalculated based on the reportable segments as they exist after the reorganization.

Home-Life Division

In the Home-Life Division during the nine months ended December 31, 2018, the number of customers under direct LP gas supply contracts increased by around 6,000 to approximately 552,000. Due to the impact of natural disasters and the warm winter, sales volumes fell year on year, despite which we were able to secure a certain level of profitability.

Regarding sales of electricity for households, the division promoted the expansion of the customer base by focusing mainly on sales of combined LP gas and electricity supply packages. As a result, the number of supply contracts increased by around 22,000 for a total of approximately 76,000.

In peripheral areas other than LP gas, the solid order flows received in the industrial gas sales business and the container inspection business led to robust revenue.

In overseas businesses, we are continuing to use the know-how developed in Japan at our industrial gas sales business in Indonesia (PT. ITC ENEX INDONESIA) and at our LP gas sales business in the Philippines (Isla Petroleum & Gas Corporation) and going forward, we will continue to expand these businesses.

As a result of these activities, the operating results for the nine months ended December 31, 2018 are as follows.

Revenue was ¥66,521 million (down 6.5% year on year), due mainly to the transition of three subsidiaries in the Tokyo, Nagoya and Osaka areas to associates accounted for by the equity method in conjunction with the reorganization and integration with the Osaka Gas Group in October 2017.

Profit from operating activities was ¥2,050 million (up 36.0% year on year), due mainly to the division's success in securing a certain level of profitability, despite the effects of reorganization and integration.

Net profit attributable to Itochu Enex's shareholders was ¥1,268 million (down 40.7% year on year), due mainly to the reaction to the profits recognized in the corresponding period of the previous fiscal year related to the reorganization and integration, despite an increase in earnings of associates accounted for by the equity method.

Life & Industrial Energy Division

During the nine months ended December 31, 2018, the Life & Industrial Energy Division worked to maintain and expand its sales base in each business and geographical area, and succeeded in recording a year-on-year increase in revenue despite an environment characterized by structural downturn in demand for oil, and by industry reorganizations, such as polarization among wholesalers.

The division is developing its business with the goal of even closer involvement in the lives of local communities and local industries, and is striving to further enhance the functionality and to create value of each of its businesses.

In the Group's Car-Life Stations (CS)^{*1} business, which has a high level of engagement with people in local communities, we will use dealerships and group companies' CS outlets not only for our original energy supply services, but also to provide other services required by local communities, working with the operators to fulfill our goal of creating locations that provide lifestyle infrastructure to such communities. During the nine months ended December 31, 2018, the total number of Group's CS was 1,768. This net decrease of 44 from the end of the previous fiscal period was largely caused by withdrawals from unprofitable CS. In addition, the number of dealerships that have introduced the Carlife Stadium car rentals system being deployed by the Group has now reached 401, a net increase of 31 over the end of the previous fiscal period.

In the business related to local industries, we have taken a comprehensive approach to promoting AdBlue^{*2}, the business user electricity supply business, and other diverse products and services, in addition to existing businesses.

In terms of initiatives in the environmental-related business, we are moving forward with activities that lead to reductions in the burden on the environment, such as a slop and oil recycling business in which waste oil recovered from ships is recycled and sold, and the fly ash business, which recycles and sells coal ash discharged from the Company's thermal power plants.

As a result of these activities, the operating results for the nine months ended December 31, 2018 are as follows.

Revenue was ¥535,671 million (up 54.1% year on year), due mainly to the impact on price resulting from the increase in prices of domestic petroleum products.

Profit from operating activities was ¥6,920 million (up 16.8% year on year), due mainly to the effect of improvements in retail market conditions, and the reaction to one-off losses recognized in the corresponding period of the previous fiscal year.

Net profit attributable to Itochu Enex's shareholders was ¥4,705 million (up 18.7% year on year), due mainly to the impact on profit from operating activities described above.

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

*2 AdBlue is a high-grade urea solution used in SCR systems, which detoxifies nitrogen compounds (NOx) contained in exhaust gases of diesel vehicles.

Power & Utility Division

In the Power & Utility Division during the nine months ended December 31, 2018, the electricity sales field of the electric power business, recorded growth in sales to both business users and households, resulting in year-on-year growth in retail electricity sales volumes. However, the steep rise in wholesale power market prices in the Hokkaido area and intensified price competition led to a significant decline in profit over the corresponding period of the previous fiscal year. In this field, ENEX LIFE SERVICE CO., LTD., a subsidiary, will lead efforts to form alliances with companies that have strong customer bases in certain areas and with companies in other industries, and investigate new value proposals by developing electricity sales, with some additional value-added component, to households and small companies, while at the same time shifting away from electricity sales to large companies, which is an area in which price competition has been intensifying.

In the power generation field, total power generation increased from the corresponding period of the previous fiscal year due to the start of operations at a new thermal power plant in October 2017, but a the steep rise in the cost of fuel, etc. led to a decline in profit year on year. In this field, our goal is to ensure stable supplies of electricity, while reducing environmental impacts, enhancing our portfolio of power sources and investing in renewable energy power generation facilities. An example of this is the major program of improvements being carried out at a deteriorating hydroelectric facilities in Niigata Prefecture's Joetsu City, and to raise the efficiency of these facilities.

Moreover, in the heat supply business^{*3}, the average temperature rose due to the effects of fierce heat over the period, leading to increased demand for heat, and resulting in profit increasing over the corresponding period of the previous fiscal year. The division will continue its efforts to develop as a comprehensive energy services business^{*4}, so as to be able to respond to the increasingly diverse needs of customers in this field.

As a result of these activities, the operating results for the nine months ended December 31, 2018 are as follows.

Revenue was ¥67,785 million (up 30.7% year on year), due mainly to an increase in retail electricity sales volumes.

Profit from operating activities was ¥2,102 million (down 56.5% year on year), due mainly to lower profit in the electric power business resulting from falling profitability in the areas of sales and supply/demand management, and from declining profit from interconnected power line management.

Net profit attributable to Itochu Enex's shareholders was ¥1,000 million (down 59.9% year on year), due mainly to the impact on profit from operating activities described above.

- *3 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.
- *4 Energy services business: The energy services business owns electric and heat source facilities, etc. and supplies cold and hot air-conditioning water, hot water for hot-water supply, steam and others on behalf of customers in the use of energy.

Mobility Life Department

In the Mobility Life Department during the nine months ended December 31, 2018, the car dealer business was brisk.

In the car dealer business, OSAKA CAR LIFE GROUP CO., LTD., a subsidiary, enjoyed strong unit sales of new cars, such as Note and Serena because of its sales efforts, despite damage caused by typhoons. The "Nissan Osaka Sales e-Denki" initiative, implemented as part of our efforts to strengthen the customer base, has also been successful.

The biodiesel business in the US has begun full-scale production, and the local plant has succeeded in improving the pretreatment of raw materials, leading to stable operating rates and an upward trend in production volume.

As a result of these activities, the operating results for the nine months ended December 31, 2018 are as follows.

Revenue was ¥80,641 million (up 9.6% year on year), due mainly to the strong performance of the car dealer business.

Profit from operating activities was ¥1,434 million (up 40.0% year on year), due mainly to higher profit in the car dealer business resulting from solid sales of highly profitable vehicle models.

Net profit attributable to Itochu Enex's shareholders was ¥315 million (up 435.1% year on year), due mainly to an increase in profit in the car dealer business.

(2) Explanation of Financial Position

Assets, liabilities and equity

Total assets amounted to ¥375,809 million as of December 31, 2018, a decrease of ¥6,812 million from March 31, 2018. This decrease mainly reflected decreases in trade receivables of ¥4,617 million and other current financial assets of ¥4,193 million. Total liabilities amounted to ¥235,159 million, a decrease of ¥10,396 million from March 31, 2018, mainly due to decreases in income taxes payable of ¥2,717 million and advances from customers of ¥2,530 million. Total equity totaled ¥140,650 million, an increase of ¥3,584 million from March 31, 2018, due to factors including an increase of ¥7,812 million from net profit attributable to Itochu Enex's shareholders and a decrease of ¥5,430 million by payment of cash dividends.

Cash flows

Cash and cash equivalents (net cash) totaled ¥21,286 million as of December 31, 2018, down ¥1,287 million from March 31, 2018.

Cash flows from operating activities

Operating activities provided net cash of ¥9,715 million. Major items included profit before tax of ¥13,566 million, depreciation and amortization of ¥7,522 million, an increase in inventories of ¥2,188 million and income taxes paid of ¥5,993 million. Net cash provided decreased ¥9,461 million year on year.

Cash flows from investing activities

Investing activities used net cash of ¥3,490 million. Major items included payments for purchase of property, plant and equipment and investment property, etc. of ¥7,595 million, mainly in Power & Utility Division, and a decrease in deposits paid of ¥5,000 million. Net cash used decreased ¥6,016 million year on year.

Cash flows from financing activities

Financing activities used net cash of ¥7,522 million. Major items included expenditures due to a decrease in interest-bearing debt of ¥1,939 million and expenses as payment of cash dividends of ¥5,430 million. Net cash used increased ¥555 million year on year.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements

Although operating performance could be affected by various factors, including crude oil prices, market conditions, changes in the weather, and the Japanese government's energy policy, we have not revised our full-year consolidated earnings forecasts announced on April 27, 2018.

2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereo

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	22,573	21,286
Trade receivables	119,541	114,924
Other current financial assets	38,860	34,667
Inventories	28,380	30,574
Trade advances paid	1,690	277
Other current assets	1,725	3,409
Total current assets	212,769	205,137
Non-current assets		
Investments accounted for by the equity method	26,145	28,925
Other investments	3,406	3,391
Non-current financial assets other than investments	11,400	10,589
Property, plant and equipment	85,326	85,873
Investment property	10,166	9,702
Goodwill	692	692
Intangible assets	20,798	20,283
Deferred tax assets	10,502	9,675
Other non-current assets	1,417	1,542
Total non-current assets	169,852	170,672
Total assets	382,621	375,809

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
LIABILITIES AND EQUITY		
Current liabilities		
Short-term bonds and borrowings	12,432	18,312
Trade payables	127,445	126,987
Other current financial liabilities	8,539	8,669
Income taxes payable	3,650	933
Advances from customers	10,583	8,053
Other current liabilities	12,280	7,626
Total current liabilities	174,929	170,580
Non-current liabilities		
Non-current bonds and borrowings	30,273	23,808
Other non-current financial liabilities	23,335	23,032
Non-current liabilities for employee benefits	9,820	10,086
Deferred tax liabilities	2,185	2,831
Provisions	4,757	4,659
Other non-current liabilities	256	163
Total non-current liabilities	70,626	64,579
Total liabilities	245,555	235,159
Equity		
Common stock	19,878	19,878
Capital surplus	18,892	18,917
Retained earnings	80,352	83,195
Other components of equity	(1,145)	(1,308)
Treasury stock	(1,873)	(1,873)
Total shareholders' equity	116,104	118,809
Non-controlling interests	20,962	21,841
Total equity	137,066	140,650
Total liabilities and equity	382,621	375,809

(2) Condensed Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Revenue	544,109	750,618
Cost of sales	(478,958)	(688,451)
Gross profit	65,151	62,167
Other income and expense		
Selling, general and administrative expenses	(51,972)	(49,059)
Loss from tangible assets, intangible assets and goodwill	(20)	(331)
Other – net	1,140	490
Total other income and expense	(50,852)	(48,900)
Profit from operating activities	14,299	13,267
Financial income and costs		
Interest income	31	43
Dividends received	293	64
Interest expense	(688)	(665)
Other financial income and costs – net	(166)	(46)
Total financial income and costs	(530)	(604)
Share of profit (loss) of investments accounted for by the equity method	(402)	903
Gains on business reorganization and others	2,326	–
Profit before tax	15,693	13,566
Income tax expense	(4,764)	(4,166)
Net profit	10,929	9,400
Net profit attributable to:		
Net profit attributable to Itochu Enex’s shareholders	9,278	7,812
Net profit attributable to non-controlling interests	1,651	1,588
Total	10,929	9,400

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Other comprehensive income, net of tax effect		
Items that will not be reclassified to profit or loss		
FVTOCI financial assets	1,121	(25)
Other comprehensive income of investments accounted for by the equity method	23	(58)
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	(18)	(8)
Cash flow hedges	40	15
Other comprehensive income of investments accounted for by the equity method	(326)	(86)
Total other comprehensive income, net of tax effect	840	(162)
Comprehensive income	11,769	9,238
Comprehensive income attributable to:		
Comprehensive income attributable to Itochu Enex's shareholders	10,119	7,651
Comprehensive income attributable to non-controlling interests	1,650	1,587
Total	11,769	9,238

(Yen)

Earnings per share attributable to Itochu Enex's shareholders		
Basic	82.15	69.21
Diluted	–	–

(Millions of yen)

Total trading transactions	814,044	931,822
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(Note) Total trading transactions are presented in accordance with the Japanese accounting practices. 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) Condensed Quarterly Consolidated Statement of Changes in Equity

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
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	18,740	18,892
Acquisition of subsidiary shares from non-controlling interests and others	190	22
Share-based payments	–	3
Balance at the end of the period	18,930	18,917
Retained earnings		
Balance at the beginning of the period	73,300	80,352
Net profit attributable to Itochu Enex's shareholders	9,278	7,812
Transfer from other components of equity	(111)	2
Cash dividends paid to Itochu Enex's shareholders	(3,898)	(4,971)
Balance at the end of the period	78,569	83,195
Other components of equity		
Balance at the beginning of the period	(1,655)	(1,145)
Other comprehensive income attributable to Itochu Enex's shareholders	840	(162)
Transfer to retained earnings	111	(2)
Balance at the end of the period	(704)	(1,308)
Treasury stock		
Balance at the beginning of the period	(1,752)	(1,873)
Purchase and disposal of treasury stock	(121)	(0)
Balance at the end of the period	(1,873)	(1,873)
Total shareholders' equity	114,800	118,809
Non-controlling interests		
Balance at the beginning of the period	18,966	20,962
Net profit attributable to non-controlling interests	1,651	1,588
Other comprehensive income attributable to non-controlling interests	(1)	(1)
Cash dividends paid to non-controlling interests	(615)	(459)
Changes due to additional acquisitions and sales of interests in subsidiaries	186	(249)
Balance at the end of the period	20,187	21,841
Total equity	134,987	140,650

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Cash flows from operating activities		
Profit before tax	15,693	13,566
Depreciation and amortization	8,311	7,522
Loss from tangible assets, intangible assets and goodwill	20	331
Financial income and costs	530	604
Share of loss (profit) of investments accounted for by the equity method	402	(903)
Gains on business reorganization and others	(2,326)	–
Decrease (increase) in trade receivables	(24,096)	4,790
Decrease (increase) in inventories	1,531	(2,188)
Increase (decrease) in trade payables	32,500	(477)
Other – net	(6,322)	(7,386)
Dividends received	642	405
Interest received	11	40
Interest expense	(619)	(596)
Income taxes paid	(7,101)	(5,993)
Net cash flows provided by operating activities	19,176	9,715
Cash flows from investing activities		
Purchase of investments accounted for by the equity method	(2,525)	(2,359)
Purchase of investments	(246)	(104)
Proceeds from sales of investments	5,411	46
Acquisition of subsidiaries, net of cash acquired	(3,496)	–
Proceeds from acquisition of subsidiaries	–	22
Loss of control of subsidiaries	(598)	–
Payment for loans receivable	(291)	(736)
Collection of loans receivable	5,429	478
Payments for purchase of property, plant and equipment and investment property	(10,016)	(7,595)
Proceeds from sales of property, plant and equipment and investment property	2,483	730
Purchase of intangible assets	(2,118)	(664)
Proceeds from sales of intangible assets	100	54
Decrease (increase) in deposits paid – net	(4,000)	5,000
Other – net	361	1,638
Net cash flows used in investing activities	(9,506)	(3,490)

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Cash flows from financing activities		
Repayments of bonds and borrowings	(7,668)	(2,769)
Net increase in short-term borrowings	5,335	830
Proceeds from share issuance from non-controlling interests	–	75
Payments for additional acquisitions of interests in subsidiaries from non-controlling interests	–	(228)
Cash dividends paid to Itochu Enex's shareholders	(3,898)	(4,971)
Cash dividends paid to non-controlling interests	(615)	(459)
Purchase of treasury stock	(121)	(0)
Net cash flows used in financing activities	(6,967)	(7,522)
Net increase (decrease) in cash and cash equivalents	2,703	(1,297)
Cash and cash equivalents at the beginning of the period	22,727	22,573
Effect of exchange rate changes on cash and cash equivalents	(5)	10
Cash and cash equivalents at the end of the period	25,425	21,286

(5) Notes on Uncertainties of Entity’s Ability to Continue as Going Concern

No items to report.

(6) Changes in Accounting Policies

From the first quarter ended June 30, 2018, the following standards have been applied in accordance with transitional provision.

Standard	Title	Description of new/amended standards or interpretations
IFRS 9 (revised in July 2014)	Financial Instruments	Limited amendments to the classification and measurement method for financial assets, and introduction of the expected credit loss impairment model
IFRS 15	Revenue from Contracts with Customers	Establishment of accounting and disclosure on revenue arising from contracts with customers

(IFRS 9 “Financial Instruments” (revised in July 2014))

The Group has adopted IFRS 9 “Financial Instruments” (revised in July 2014) effective from the first quarter ended June 30, 2018. The effect of adoption of this standard on the Group’s condensed quarterly consolidated financial statements is insignificant.

(IFRS 15 “Revenue from Contracts with Customers”)

The Group has adopted IFRS 15 “Revenue from Contracts with Customers” (issued in May 2014) and “Clarifications to IFRS 15” (issued in April 2016) (hereinafter, “IFRS 15” collectively), from the first quarter ended June 30, 2018. In the adoption of IFRS 15, the Group has applied the method in which the cumulative effect of adopting this standard is recognized at the commencement date of adoption, which is allowed as the transitional provision.

In line with the adoption of IFRS 15, the Group has recognized revenue based on the following five-step approach.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group is engaged in the sale of LP gas, gasoline, kerosene, diesel oil, fuel oil, asphalt, electricity, automobiles, and other goods. For the sale of these products, the Group considers that a performance obligation is satisfied when the customer is deemed to obtain control of the product in light of contractual terms and conditions. Specifically, the Group recognizes revenue on the date when the goods are shipped or delivered to the customer or when the customer performs an inspection of the delivered goods. In addition, revenue is recognized at the amount of consideration promised in the contract with the customer less discounts, rebates, returned goods, etc.

When identifying the performance obligations, and determining whether the Group is involved in transactions as a party to the transaction, or whether the Group is involved as an agent, the Group considers factors such as whether or not the Group has the primary responsibility for providing the product or service to the customer, whether or not the Group bears the inventory risk, and whether or not

the Group has discretion in establishing selling price. For a transaction in which the Group is involved as a party to the transaction, the Group presents revenue at the gross amount of consideration received from the customer. For a transaction in which the Group is involved as an agent, the Group presents revenue at a net amount calculated by deducting the cost of sales from the gross amount of consideration received from the customer.

As a result of the adoption of IFRS 15, revenue of certain transactions, which had previously been presented on a net basis, is presented on a gross basis. Consequently, revenue and cost of sales each increased by ¥128,435 million in the condensed quarterly consolidated statement of comprehensive income for the nine months ended December 31, 2018, compared with these items in the case where the previous accounting standard had been applied.

Other than the above, the adoption of this standard has no significant impact on the Group.

(7) Segment Information

For the nine months ended December 31, 2017

(Millions of yen)

	Reportable segment				Total	Adjustment	Consolidated
	Home-Life Division	Life & Industrial Energy Division	Power & Utility Division	Mobility Life Department			
Revenue							
Revenue from external customers	71,109	347,542	51,880	73,578	544,109	–	544,109
Intersegment revenue	151	2,943	4,195	–	7,289	(7,289)	–
Total revenue	71,260	350,485	56,075	73,578	551,398	(7,289)	544,109
Gross profit	18,371	26,418	7,870	12,492	65,151	–	65,151
Profit from operating activities	1,507	5,923	4,835	1,024	13,289	1,010	14,299
Profit before tax	3,506	5,904	4,618	739	14,767	926	15,693
Net profit attributable to Itochu Enex's shareholders	2,139	3,963	2,495	59	8,656	622	9,278
Other items							
Total assets	66,151	150,167	76,669	53,802	346,789	28,742	375,531
Total trading transactions	74,462	614,793	54,541	70,248	814,044	–	814,044

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

The adjustment of ¥622 million to net profit attributable to Itochu Enex's shareholders represents corporate profit (loss) not allocated to reportable segments.

The adjustment of ¥28,742 million to total assets represents corporate assets not allocated to reportable segments.

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

For the nine months ended December 31, 2018

(Millions of yen)

	Reportable segment				Total	Adjustment	Consolidated
	Home-Life Division	Life & Industrial Energy Division	Power & Utility Division	Mobility Life Department			
Revenue							
Revenue from external customers	66,521	535,671	67,785	80,641	750,618	–	750,618
Intersegment revenue	145	5,153	4,764	–	10,062	(10,062)	–
Total revenue	66,666	540,824	72,549	80,641	760,680	(10,062)	750,618
Gross profit	16,010	27,377	5,584	13,196	62,167	–	62,167
Profit from operating activities	2,050	6,920	2,102	1,434	12,506	761	13,267
Profit before tax	2,575	6,921	2,108	1,281	12,885	681	13,566
Net profit attributable to Itochu Enex's shareholders	1,268	4,705	1,000	315	7,288	524	7,812
Other items							
Total assets	64,365	148,383	81,700	52,808	347,256	28,553	375,809
Total trading transactions	74,413	710,596	70,439	76,374	931,822	–	931,822

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

The adjustment of ¥524 million to net profit attributable to Itochu Enex's shareholders represents corporate profit (loss) not allocated to reportable segments.

The adjustment of ¥28,553 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.

As of March 31, 2018

(Millions of yen)

	Reportable segment				Total	Adjustment	Consolidated
	Home-Life Division	Life & Industrial Energy Division	Power & Utility Division	Mobility Life Department			
Total assets	66,843	145,108	80,189	63,896	356,036	26,585	382,621

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

Change in reportable segments

In the first quarter ended June 30, 2018, the now former Life Energy & Logistics Division and Industrial Energy & Logistics Division were integrated to form the newly established Life & Industrial Energy Division, while the Mobility Life Department was newly established.

In line with this, the classification of reportable segments has been changed from the previous Home-Life Division, Power & Utility Division, Life Energy & Logistics Division and Industrial Energy & Logistics Division to the Home-Life Division, Life & Industrial Energy Division, Power & Utility Division and Mobility Life Department from the first quarter ended June 30, 2018.

Furthermore, in conjunction with the absorption-type merger of TOHOKU TANKU SHOUKAI CO., LTD., which was a subsidiary of the Company, by ITOCHU ENEX HOME-LIFE TOHOKU CO., LTD., a subsidiary of the Company, the Group reviewed the management classification and changed the method to

include the business of TOHOKU TANKU SHOUKAI CO., LTD., which was previously included in the Life Energy& Logistics Division (Life & Industrial Energy Division after the above change), in the Home-Life Division.

Due to the change in segments, segment information for the first nine months of the previous fiscal year and as of the end of the previous fiscal year (March 31, 2018) has been adjusted based on the classification of reportable segments after the change.