

This document is an English translation of quarterly financial results report released on July 31, 2018 and written initially in Japanese.
The Japanese original should be considered as the primary version.



July 31, 2018

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

Company name: **Itochu Enex Co., Ltd.**
 Listing: Tokyo Stock Exchange, 1st Section
 Stock code: 8133
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Scheduled date to file quarterly securities report: August 10, 2018

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 three months of the fiscal year ending March 31, 2019 (from April 1, 2018 to June 30, 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	%
Three months ended												
June 30, 2018	288,762	17.7	3,938	(15.6)	4,494	(2.1)	3,209	5.0	2,544	0.8	3,225	(0.6)
June 30, 2017	245,395	10.5	4,664	100.4	4,591	97.6	3,057	115.2	2,523	134.3	3,244	589.2

	Basic earnings per share attributable to Itochu Enex's shareholders	Diluted earnings per share attributable to Itochu Enex's shareholders
Three months ended	Yen	Yen
June 30, 2018	22.54	–
June 30, 2017	22.33	–

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	%
June 30, 2018	364,197	137,123	115,956	31.8
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	–				
March 31, 2019					
Fiscal year ending		20.00	–	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
Six months ending September 30, 2018	–	–	–	–	–	–	–	–	–
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

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

*** Notes**

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

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

- a. Changes in accounting policies required by IFRSs: 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 13 of the attached materials.

(3) Number of issued shares (common stock)

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

As of June 30, 2018	116,881,106 shares
As of March 31, 2018	116,881,106 shares

b. Number of treasury stock at end of period

As of June 30, 2018	4,002,135 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 three months ended June 30, 2018	112,878,971 shares
For the three months ended June 30, 2017	112,988,683 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 Three Months, (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements on page 5 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 Three Months

(1) Explanation of Operating Results

1) Results of operations

During the three months ended June 30, 2018, Japan's economy maintained a moderate recovery trend as seen in a pickup in consumer spending with continued improvement in the employment and income environments. On the other hand, the outlook for the economy remained uncertain due to factors such as geopolitical risks, and risks of a slowdown in the global economy stemming from economic trends in China and other emerging countries in Asia, etc., interest-rate increases in the US, and other factors.

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

As part of those initiatives, we reorganized the Group's business divisions and business groups in April 2018, to develop businesses that are utilizing region-specific networks of the Group and to accelerate the decision-making process in the electric power and mobility business in response to changes in energy shift.

In the Group's business divisions, the Life & Industrial Energy Division was newly established by integrating the now former divisions Life Energy & Logistics Division and Industrial Energy & Logistics Division.

In the business groups, the Group has organized two business groups, namely the Energy & Logistics Group, which consists of the Home-Life Division and Life & Industrial Energy Division, and the Power & Utility Group. In addition, the Group newly set up the Mobility Life Department.

As a result of these activities, the operating results for the three months ended June 30, 2018 are as follows.

Revenue was ¥226,301 million (up 31.2% 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 ¥3,938 million (down 15.6% year on year), due mainly to the decrease in gross profit in the electricity sales field and the petroleum product trading field.

Net profit attributable to Itochu Enex's shareholders was ¥2,544 million (up 0.8% year on year), due mainly to an increase in earnings of associates accounted for by the equity method in the Home-Life Business and the Power & Utility Business.

2) Results of operations by segment

<Energy & Logistics Group>

Home-Life Division

In the Home-Life Division during the three months ended June 30, 2018, the number of customers under direct LP gas supply contracts increased by around 3,000 to approximately 550,000.

Regarding sales of electricity for households, the division promoted the expansion of the customer base by focusing mainly on sales of combined LP gas and electricity supply packages. As a result, the number of supply contracts increased by around 10,000 for a total of approximately 64,000.

With regard to profitability, although profit from operating activities decreased from the corresponding period of the previous fiscal year, net profit attributable to Itochu Enex's shareholders increased year on year due 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.

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, revenue was ¥22,112 million (down 2.2% year on year), profit from operating activities was ¥775 million (up 1.8% year on year), and net profit attributable to Itochu Enex's shareholders was ¥545 million (up 42.9% year on year).

Life & Industrial Energy Division

In the Life & Industrial Energy Division during the three months ended June 30, 2018, while the industry reorganization was advanced as seen in bipolarization of wholesalers in the wake of a structural downturn in demand for oil, the Group refurbished its organizational structure by integrating the Life Energy & Logistics Division and the Industrial Energy & Logistics Division to form the Life & Industrial Energy Division in order to have commitment in lives in communities and local industries.

In the retail-related business, which engages with people in communities, we have promoted the application of IT and enhanced the convenience of customers by introducing our new POS system at the Group's Car-Life Stations (CS)*¹ using a shared loyalty points system. In addition, ENEXAUTO CO., LTD., a subsidiary, has endeavored to improve the convenience of services for both users and member establishments by operating Carlife Stadium car rentals to expand the functions of car rental network and conduct web-based promotions and customer transfers from other companies. In the three months ended June 30, 2018, the number of dealerships that have introduced the system was 391. The total number of the Group's CS in the three months ended June 30, 2018 was 1,786 (net decrease of 26 from the end of the previous fiscal period) due largely to withdrawal of unprofitable CS.

In the business related to local industries, we have comprehensively proposed AdBlue*², business user electricity supply business, and other diverse products and services in addition to existing businesses. Furthermore, in the marine fuel sales business, following the introduction of a lubricant oil supply ship in the Setouchi area in the fiscal year ended March 31, 2018, we also started operation of one supply ship in Tokyo Bay area as part of the advancement of supply chains through appropriate expansion and management of assets.

As for efforts for the environmental-related business, ENEX FLEET CO., LTD., a subsidiary, has participated in the project of the Ministry of the Environment for commercial driving tests of large LNG truck and worked on the setup and operation of LNG and CNG supply stations for users of large trucks. Moreover, a recovery vessel was newly put in place in Tokyo Bay in the slop and oil recycling business, which recycles and sells waste oil recovered from ships, and the fly ash business, which recycles and sells coal ash discharged from the Itochu Enex Group's thermal power plants, has also been building a track record steadily.

As a result of these activities, revenue was ¥159,106 million (up 44.7% year on year), profit from operating activities was ¥1,084 million (down 23.6% year on year), and net profit attributable to Itochu

Enex's shareholders was ¥772 million (down 21.2% year on year).

*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 Group>

Power & Utility Division

In the Power & Utility Division during the three months ended June 30, 2018, although the sales volume of retail electricity in the electricity sales field of the electric power business increased from the corresponding period of the previous fiscal year, reflecting growth in electricity sales for business users and households, profit decreased year on year due to volatility of the wholesale trading market. In this field, ENEX LIFE SERVICE CO., LTD., a subsidiary, will lead efforts to form alliances with companies that have strong customer bases in local areas and companies in other sectors, in order to further promote investigations of new value proposals for households and small companies.

In the power generation field, total power generation increased year on year, due to the start of operations at a new thermal power plant in October 2017. Profit also increased year on year. In this field, we aim to ensure stable electricity supplies and reduce environmental impacts by enhancing our portfolio of power sources and investing in renewable energy power generation facilities.

In the heat supply business*³, both demand for heat and profit increased year on year due to an increase in average temperatures during the fiscal period. In addition, the division will continue to develop a comprehensive energy services business including the heat supply business to satisfy the increasingly diverse needs of customers. Initiatives include the establishment of The Reliance Energy Okinawa, Incorporated in December 2017 as a joint venture of The Okinawa Electric Power Company, Incorporated, OSAKA GAS, and Tokyo Toshi Service CO., LTD. to start efforts for the energy services business*⁴ in the Okinawa area.

As a result of these activities, revenue was ¥17,807 million (up 26.7% year on year), profit from operating activities was ¥1,459 million (down 23.8% year on year), and net profit attributable to Itochu Enex's shareholders was ¥831 million (down 10.7% year on year).

*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 three months ended June 30, 2018, the car dealer business and the biodiesel production business in the US were brisk.

In the Car Dealer Business during the three months ended June 30, 2018, OSAKA CAR LIFE GROUP CO., LTD., a subsidiary, enjoyed strong unit sales of new cars, particularly those equipped with advanced technologies such as Note and Serena of Nissan Motor Co., Ltd. Furthermore, in "Nissan Osaka Sales e-Denki," of which sales were started in 2017, combined sales with Leaf and MAINTE-PRO PACK*⁵ were healthy, leading to strengthening of the customer base.

In the biodiesel production business in the US, the local plant improved operations of the pretreatment process for raw materials, resulting in an improvement in the operating rate and a record-high production volume. Consequently, profit also improved.

As a result of these activities, revenue was ¥27,276 million (up 5.6% year on year), profit from operating activities was ¥326 million (up 13.1% year on year), and net profit attributable to Itochu Enex's shareholders was ¥147 million (up 226.4% year on year).

*5 MAINTE-PRO PACK: MAINTE-PRO PACK is a product packaging different combinations of oil service, periodic checkup, safety inspection and other services for a maximum of five years.

(2) Explanation of Financial Position

Assets, liabilities and equity

Total assets amounted to ¥364,197 million as of June 30, 2018, a decrease of ¥18,424 million from March 31, 2018. This decrease mainly reflected a decrease in trade receivables of ¥10,576 million due to seasonal factors. Total liabilities amounted to ¥227,074 million, a decrease of ¥18,481 million from March 31, 2018, mainly due to a decrease of trade payables of ¥11,351 million by seasonal factors. Total equity totaled ¥137,123 million, an increase of ¥57 million from March 31, 2018, due to factors including an increase of ¥2,544 million from net profit attributable to Itochu Enex's shareholders and a decrease of ¥3,171 million by payment of cash dividends, and the like.

Cash flows

Cash and cash equivalents (net cash) totaled ¥21,084 million as of June 30, 2018, down ¥1,489 million from March 31, 2018.

Cash flows from operating activities

Operating activities provided net cash of ¥3,147 million. Major items included profit before tax of ¥4,494 million, depreciation and amortization of ¥2,484 million, a decrease of trade payables of ¥11,351 million and income taxes paid of ¥3,629 million. Net cash provided increased ¥5,018 million year on year.

Cash flows from investing activities

Investing activities provided net cash of ¥1,554 million. Major items included payments for purchase of property, plant and equipment and investment property, etc. of ¥3,103 million, mainly in Power & Utility Division, and a decrease in deposits paid of ¥5,000 million. Net cash provided increased ¥5,021 million year on year.

Cash flows from financing activities

Financing activities used net cash of ¥6,188 million. Major items included expenditures due to a decrease in interest-bearing debt of ¥3,017 million and expenses as payment of cash dividends of ¥3,171 million. Net cash used increased ¥4,244 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 June 30, 2018
ASSETS		
Current assets		
Cash and cash equivalents	22,573	21,084
Trade receivables	119,541	108,965
Other current financial assets	38,860	36,617
Inventories	28,380	25,249
Trade advances paid	1,690	226
Other current assets	1,725	2,246
Total current assets	212,769	194,387
Non-current assets		
Investments accounted for by the equity method	26,145	26,778
Other investments	3,406	3,550
Non-current financial assets other than investments	11,400	11,519
Property, plant and equipment	85,326	85,126
Investment property	10,166	9,951
Goodwill	692	692
Intangible assets	20,798	20,680
Deferred tax assets	10,502	10,019
Other non-current assets	1,417	1,495
Total non-current assets	169,852	169,810
Total assets	382,621	364,197

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
LIABILITIES AND EQUITY		
Current liabilities		
Short-term bonds and borrowings	12,432	15,184
Trade payables	127,445	116,094
Other current financial liabilities	8,539	11,398
Income taxes payable	3,650	1,230
Advances from customers	10,583	8,872
Other current liabilities	12,280	9,437
Total current liabilities	174,929	162,215
Non-current liabilities		
Non-current bonds and borrowings	30,273	24,845
Other non-current financial liabilities	23,335	23,002
Non-current liabilities for employee benefits	9,820	9,900
Deferred tax liabilities	2,185	2,294
Provisions	4,757	4,666
Other non-current liabilities	256	152
Total non-current liabilities	70,626	64,859
Total liabilities	245,555	227,074
Equity		
Common stock	19,878	19,878
Capital surplus	18,892	18,895
Retained earnings	80,352	80,184
Other components of equity	(1,145)	(1,128)
Treasury stock	(1,873)	(1,873)
Total shareholders' equity	116,104	115,956
Non-controlling interests	20,962	21,167
Total equity	137,066	137,123
Total liabilities and equity	382,621	364,197

(2) Condensed Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Revenue	172,458	226,301
Cost of sales	(150,460)	(206,203)
Gross profit	21,998	20,098
Other expense		
Selling, general and administrative expenses	(17,738)	(16,238)
Loss from tangible assets, intangible assets and goodwill	(55)	(246)
Other – net	459	324
Total other expense	(17,334)	(16,160)
Profit from operating activities	4,664	3,938
Financial income and costs		
Interest income	16	23
Dividends received	270	53
Interest expense	(237)	(212)
Other financial income and costs – net	(51)	73
Total financial income and costs	(2)	(63)
Share of profit (loss) of investments accounted for by the equity method	(71)	619
Profit before tax	4,591	4,494
Income tax expense	(1,534)	(1,285)
Net profit	3,057	3,209
Net profit attributable to:		
Net profit attributable to Itochu Enex's shareholders	2,523	2,544
Net profit attributable to non-controlling interests	534	665
Total	3,057	3,209

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Other comprehensive income, net of tax effect		
Items that will not be reclassified to profit or loss		
FVTOCI financial assets	361	59
Other comprehensive income of investments accounted for by the equity method	1	(24)
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	(15)	(22)
Cash flow hedges	(2)	5
Other comprehensive income of investments accounted for by the equity method	(158)	(2)
Total other comprehensive income, net of tax effect	187	16
Comprehensive income	3,244	3,225
Comprehensive income attributable to:		
Comprehensive income attributable to Itochu Enex's shareholders	2,710	2,560
Comprehensive income attributable to non-controlling interests	534	665
Total	3,244	3,225

(Yen)

Earnings per share attributable to Itochu Enex's shareholders		
Basic	22.33	22.54
Diluted	–	–

(Millions of yen)

Total trading transactions	245,395	288,762
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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)

	Three months ended June 30, 2017	Three months ended June 30, 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
Share-based payments	–	3
Balance at the end of the period	18,740	18,895
Retained earnings		
Balance at the beginning of the period	73,300	80,352
Net profit attributable to Itochu Enex's shareholders	2,523	2,544
Transfer from other components of equity	–	0
Cash dividends paid to Itochu Enex's shareholders	(2,090)	(2,712)
Balance at the end of the period	73,732	80,184
Other components of equity		
Balance at the beginning of the period	(1,655)	(1,145)
Other comprehensive income attributable to Itochu Enex's shareholders	188	17
Transfer to retained earnings	–	(0)
Balance at the end of the period	(1,467)	(1,128)
Treasury stock		
Balance at the beginning of the period	(1,752)	(1,873)
Purchase and disposal of treasury stock	(0)	–
Balance at the end of the period	(1,752)	(1,873)
Total shareholders' equity	109,131	115,956
Non-controlling interests		
Balance at the beginning of the period	18,966	20,961
Net profit attributable to non-controlling interests	534	665
Other comprehensive income attributable to non-controlling interests	0	0
Cash dividends paid to non-controlling interests	(615)	(459)
Balance at the end of the period	18,884	21,167
Total equity	128,015	137,123

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Cash flows from operating activities		
Profit before tax	4,591	4,494
Depreciation and amortization	2,728	2,484
Loss from tangible assets, intangible assets and goodwill	55	246
Financial income and costs	2	63
Share of loss (profit) of investments accounted for by the equity method	71	(619)
Decrease in trade receivables	14,508	10,743
Decrease in inventories	3,289	3,131
Decrease in trade payables	(18,114)	(11,351)
Other – net	(3,397)	(2,530)
Dividends received	499	267
Interest received	11	16
Interest expense	(170)	(168)
Income taxes paid	(5,944)	(3,629)
Net cash flows provided by (used in) operating activities	(1,871)	3,147
Cash flows from investing activities		
Purchase of investments accounted for by the equity method	(468)	(244)
Purchase of investments	(189)	(1)
Proceeds from sales of investments	11	4
Acquisition of subsidiaries, net of cash acquired	(1,288)	–
Payment for loans receivable	(55)	(134)
Collection of loans receivable	102	150
Payments for purchase of property, plant and equipment and investment property	(4,192)	(3,103)
Proceeds from sales of property, plant and equipment and investment property	665	349
Purchase of intangible assets	(558)	(307)
Proceeds from sales of intangible assets	10	31
Decrease in deposits paid – net	3,000	5,000
Other – net	(505)	(191)
Net cash flows provided by (used in) investing activities	(3,467)	1,554

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Cash flows from financing activities		
Repayments of bonds and borrowings	(886)	(799)
Net increase (decrease) in short-term borrowings	1,648	(2,218)
Cash dividends paid to Itochu Enex's shareholders	(2,090)	(2,712)
Cash dividends paid to non-controlling interests	(615)	(459)
Other – net	(1)	–
Net cash flows used in financing activities	(1,944)	(6,188)
Net decrease in cash and cash equivalents	(7,282)	(1,487)
Cash and cash equivalents at the beginning of the period	22,727	22,573
Effect of exchange rate changes on cash and cash equivalents	(4)	(2)
Cash and cash equivalents at the end of the period	15,441	21,084

(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 (revised in July 2014) "Financial Instruments")

The Group has adopted IFRS 9 (revised in July 2014) "Financial Instruments" effective from the first quarter ended June 30, 2018. However, there is no substantial effect on the Group.

(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 line with the adoption of IFRS 15, the Group has recognized revenue at an amount reflecting consideration to which it expects to be entitled in exchange for goods or services transferred to the customer, 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, in recognizing revenue, 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. In addition, revenue is recognized at the amount of consideration promised in the contract with the customer less discounts, rebates, returned goods, etc.

As a result of the review made based on this newly stipulated standard in line with the adoption of IFRS 15, the Group decided to change the method for revenue recognition of certain transactions on both an aggregate and net basis. Consequently, revenue and cost of sales each increased by ¥41,884 million in the condensed quarterly consolidated statement of comprehensive income for the three months ended June 30, 2018, compared with these items in the case where the previous accounting standard had been applied.

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

(7) Segment Information

For the three months ended June 30, 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	22,613	109,965	14,059	25,821	172,458	–	172,458
Intersegment revenue	29	794	1,250	–	2,073	(2,073)	–
Total revenue	22,642	110,759	15,309	25,821	174,531	(2,073)	172,458
Gross profit	6,702	8,351	2,803	4,142	21,998	–	21,998
Profit from operating activities	761	1,420	1,915	289	4,385	279	4,664
Profit before tax	882	1,444	1,815	197	4,338	253	4,591
Net profit attributable to Itochu Enex's shareholders	382	980	931	45	2,338	185	2,523
Other items							
Total assets	60,411	116,201	74,667	48,671	299,950	19,403	319,353
Total trading transactions	23,826	183,013	14,670	23,886	245,395	–	245,395

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

The adjustment of ¥185 million to net profit attributable to Itochu Enex's shareholders represents corporate profit (loss) not allocated to reportable segments.

The adjustment of ¥19,403 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 three months ended June 30, 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	22,112	159,106	17,807	27,276	226,301	–	226,301
Intersegment revenue	42	764	1,407	–	2,213	(2,213)	–
Total revenue	22,154	159,870	19,214	27,276	228,514	(2,213)	226,301
Gross profit	5,595	7,732	2,520	4,251	20,098	–	20,098
Profit from operating activities	775	1,084	1,459	326	3,644	294	3,938
Profit before tax	1,130	1,122	1,608	366	4,226	268	4,494
Net profit attributable to Itochu Enex's shareholders	545	772	831	147	2,295	249	2,544
Other items							
Total assets	60,943	140,331	81,288	53,026	335,588	28,609	364,197
Total trading transactions	24,565	220,893	18,476	24,828	288,762	–	288,762

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

The adjustment of ¥249 million to net profit attributable to Itochu Enex's shareholders represents corporate profit (loss) not allocated to reportable segments.

The adjustment of ¥28,609 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 three 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 new segment classifications in the first three months ended June 30, 2018.