

ITOCHU ENEX CO., LTD.

(TSE First Section, 8133)

FY2020 Financial Results for First Six Months

October 30, 2020

Note

We pay close attention to the content of the material, but the Company and information providers will not be liable for any damage caused by errors in the information posted or damage suffered based on the information posted in this material.

The current plans and strategies of the Company posted in this material are forecasts prepared by the Company based on information currently available, and these future forecasts include risks and uncertainties. Accordingly, the actual results may differ materially from the forecasts posted. Please note that the Company does not guarantee the certainty of these forecasts.

- Unless otherwise noted, all the numerical values in this material are based on the International Financial Reporting Standards (IFRS).
- In this material, the notation has been replaced as follows.
“Profit from operating activities” ⇔ “Operating profit”
“Net profit attributable to Itochu Enex’s shareholders” ⇔ “Net profit”

Results Highlights

Overview of Consolidated Financial Results for First Six Months of FY2020

- Quarterly net profits increased 1.1 billion yen to 6.2 billion yen, 20.2% year on year.**
 While sales volume dropped in all segments given the COVID-19 pandemic, the strong sales volume of LP gas and power for household use due to demand driven by those refraining from going out, export-import operations for oil products in view of the fluctuations in crude oil prices and the reduction of operating expenses resulted in profit growth.
- The ratio of SG&A expenses to gross profit came to 75.8%, a 2.3% decrease year on year, suggesting that expenses were effectively controlled as in the previous year.**

Net sales

319.5 billion yen (-27.2% year on year)

Operating profit

10.2 billion yen (+6.7% year on year)

Gross profit

42.1 billion yen (-0.4% year on year)

Net profit

6.2 billion yen (+20.2% year on year)

The Impact of the COVID-19 Coronavirus Pandemic

Impact on business performance

 Oil	<ul style="list-style-type: none"> □ Demand for gasoline declined due to remote working and the stay-at-home advisories, making sales volume fall.
 LP gas	<ul style="list-style-type: none"> □ Sales volumes of LP gas and industrial gas for business, industrial and automobile use tumbled following the declining operating ratio of stores, factories and others. □ LP gas for household use increased due to demand driven by those refraining from going out.
 Power	<ul style="list-style-type: none"> □ The sales volume of high-voltage power decreased due to the declining operating ratio of stores, factories and others. □ Sales volume of low-voltage power increased due to demand driven by those refraining from going out.
 Sales of cars	<ul style="list-style-type: none"> □ The number of customers visiting dealers decreased due to the shortened business hours of dealers. This led to a significant fall in sales volumes. The number of vehicles sold from April to June was down 24% year on year. Since July it has been turning around.

Sales volume (company-wide)

<ul style="list-style-type: none"> ■ Gasoline 1,194,000 KL (-18.7% year on year) 	<ul style="list-style-type: none"> ■ LP gas 207,000 tons (-13.2% year on year) 	<ul style="list-style-type: none"> ■ Electricity Retail (GWh) 1,096 GWh (-11.9% year on year)
<ul style="list-style-type: none"> ■ Diesel oil 1,483,000 KL (-7.1% year on year) 	<ul style="list-style-type: none"> ■ Industrial gas (million m³ & thousand tons) 32,000 tons (-15.4% year on year) 	<ul style="list-style-type: none"> ■ New cars 11,000 units (-19.6% year on year)

Improve the teleworking environment and encourage teleworking and staggered working hours

BCP initiatives

- Establish emergency headquarters for tackling the coronavirus pandemic, which is chaired by the president.
- Improved the teleworking environment (enhanced the video conferencing system, conference call system, and network).
- Teleworking, staggered working hours, and desk allocation for avoiding closed spaces, crowded places, and close-contact settings
- Promotion of hand-washing, disinfection, gargling, ventilation, and environmental disinfection
- Refraining from/postponing conferences, gatherings, training sessions, and the similar events for which many people gather
- Refraining from domestic and overseas business trips
- Refraining from dining with others

Financial standing

- Sufficient liquidity on hand has been secured.
- Net DER: -0.10 (virtually no debt)
- Sufficient account overdraft facilities and commercial paper issuance facilities have been secured.
- Rating has been maintained.
Long-term issue rating: A+/Short-term issuer rating: J-1
(Japan Credit Rating Agency, Ltd.)
* Based on evaluation in October 2020

(100 million yen)

	End of March 2020 Results	End of September 2020 Results	Changes
Cash and cash equivalents	192	368	+176
Other current financial assets	281	172	-109

◇ **Overview of Consolidated Financial Results
for First Six Months of FY2020**

(1) Overview of the Entire Company

(2) Overview by Segment

◇ **Appendix**

Overview of Consolidated Financial Results for First Six Months of FY2020

(1) Overview of the Entire Company

Summary of Financial Results for the First Six Months of FY2020

(100 million yen)	FY2019/1H Results	FY2020/1H Results	Changes	FY2020 Plan	Achievement rate
Net sales	4,390	3,195	-1,196	7,100	45%
Gross profit	423	421	-2		
Selling, general and administrative expenses	-330	-319	+11		
Operating profit	95	102	+6	160	64%
Share of profit (loss) of investments accounted for using the equity method	7	4	-2		
Net profit	52	62	+11	110	57%
Ratio of SG&A expenses to gross profit	78.2%	75.8%	-2.3%		
Dividends (yen/share)	21	22	+1	44	—

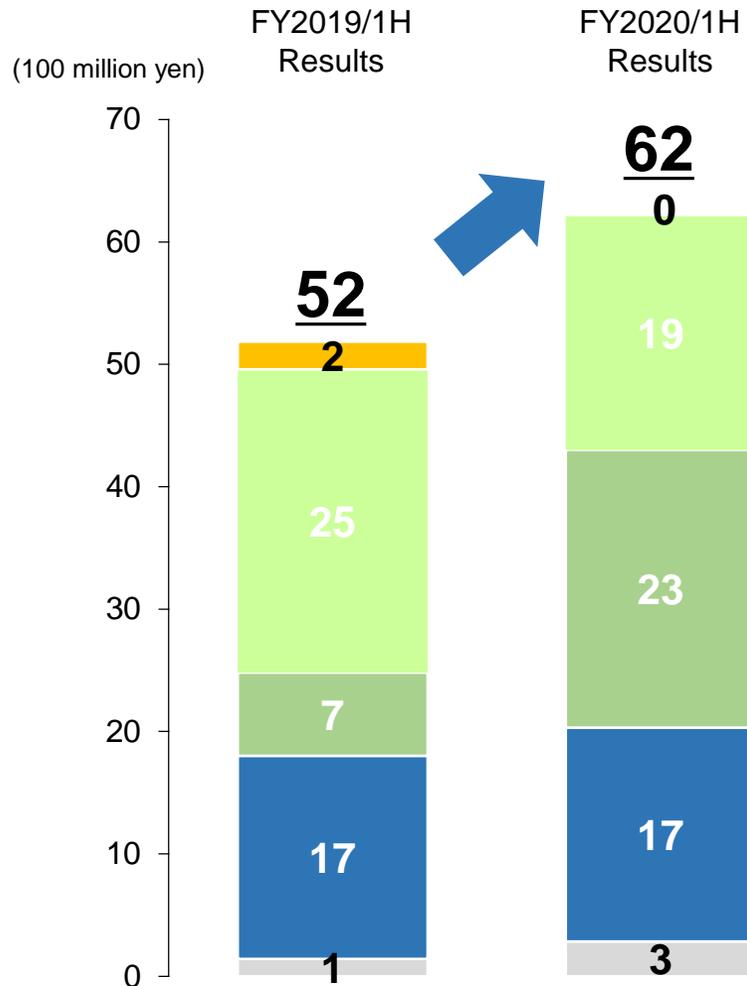
- Quarterly net profits increased 1.1 billion yen, 20.2% year on year.

While sales volume dropped in all segments given the COVID-19 pandemic, the strong sales volume of LP gas and power for household use due to demand driven by those refraining from going out, export-import operations for oil products in view of the fluctuations in crude oil prices and the reduction of operating expenses resulted in profit growth.

- The ratio of SG&A expenses to gross profit came to 75.8%, a 2.3% decrease year on year, suggesting that expenses were effectively controlled as in the previous year.

Net Profit by Segment

Profits from Industrial Business increased sharply. It was a profit driver.



Major factors for increase/decrease

Home-Life (YoY: -¥200 million, Percent of the plan achieved: 1%)

The number of customers under direct contract decreased by around 2,000 from the end of the previous fiscal year to approximately 549,000 after a sell-off of business rights.

The overall sales volume of LP gas fell year on year after the shrinkage in demand for business, industrial and automobile use due to the declining operating ratio of factories, despite soaring demand and sales for household use driven by those refraining from going out. Profit decreased, reflecting the effect of inventories following falling LP gas import prices and a decrease in the sales volumes of LP gas and industrial gas.

Car-Life (YoY: -¥600 million, Percent of the plan achieved: 68%)

The number of filling stations decreased by 13 from the end of the previous fiscal year to 1,691.

The sales volume of oil products was poorer than in the same period of the previous year, and so was the number of new cars sold due to shortened business hours at dealers associated with the measures addressing the COVID-19 pandemic and the rush of demand before the consumption tax hike in the previous fiscal year. Profit decreased due to declines in the sales volume of oil products, in the number of new cars sold in the car dealer business and in service revenue.

Industrial Business (YoY: +¥1600 million, Percent of the plan achieved: 93%)

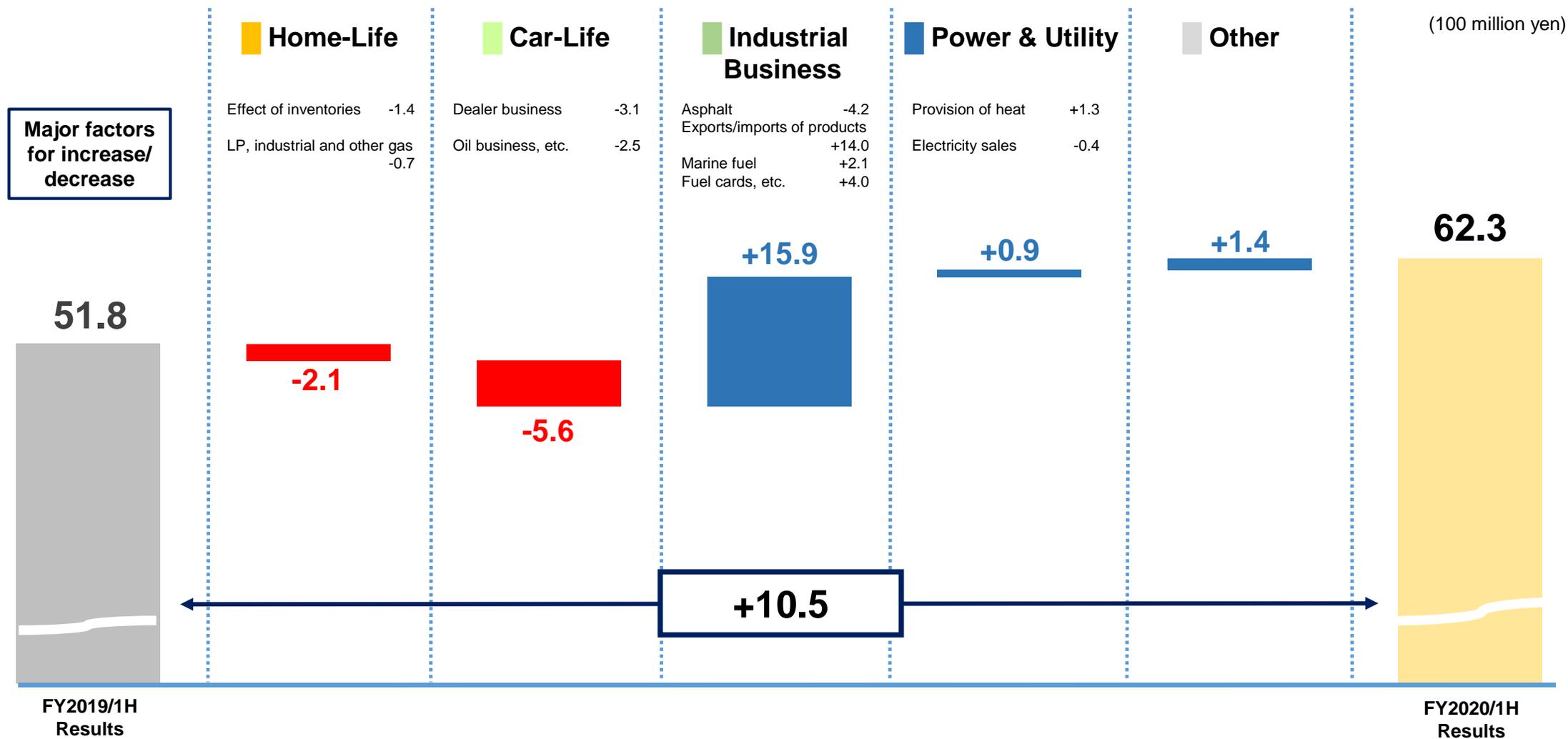
The sales volume of oil products for industrial use and fuel cards for cars decreased year on year following the slumping operating ratio at factories and the decreased use of cards for company vehicles. The asphalt business saw sales volume fall year on year.

Meanwhile, in the marine fuel business, sales volume rose after steady sales to ocean-going vessels. Profit jumped substantially due to export-import operations for oil products in view of changing crude oil prices and the reduction of operating expenses.

Power & Utility (YoY: +¥100 million, Percent of the plan achieved: 50%)

Electricity retail sales dropped year on year. While low-voltage power sales volume grew following rising consumption volume for household use due to demand from those refraining from going out and an increase in the number of low-voltage power contracts mainly for household use, the number of large high-voltage power contracts for corporate use contracted. Profit grew reflecting completion of the large regular repair in the previous fiscal year in the power generation area, which led to an increasing operating ratio in the current fiscal year.

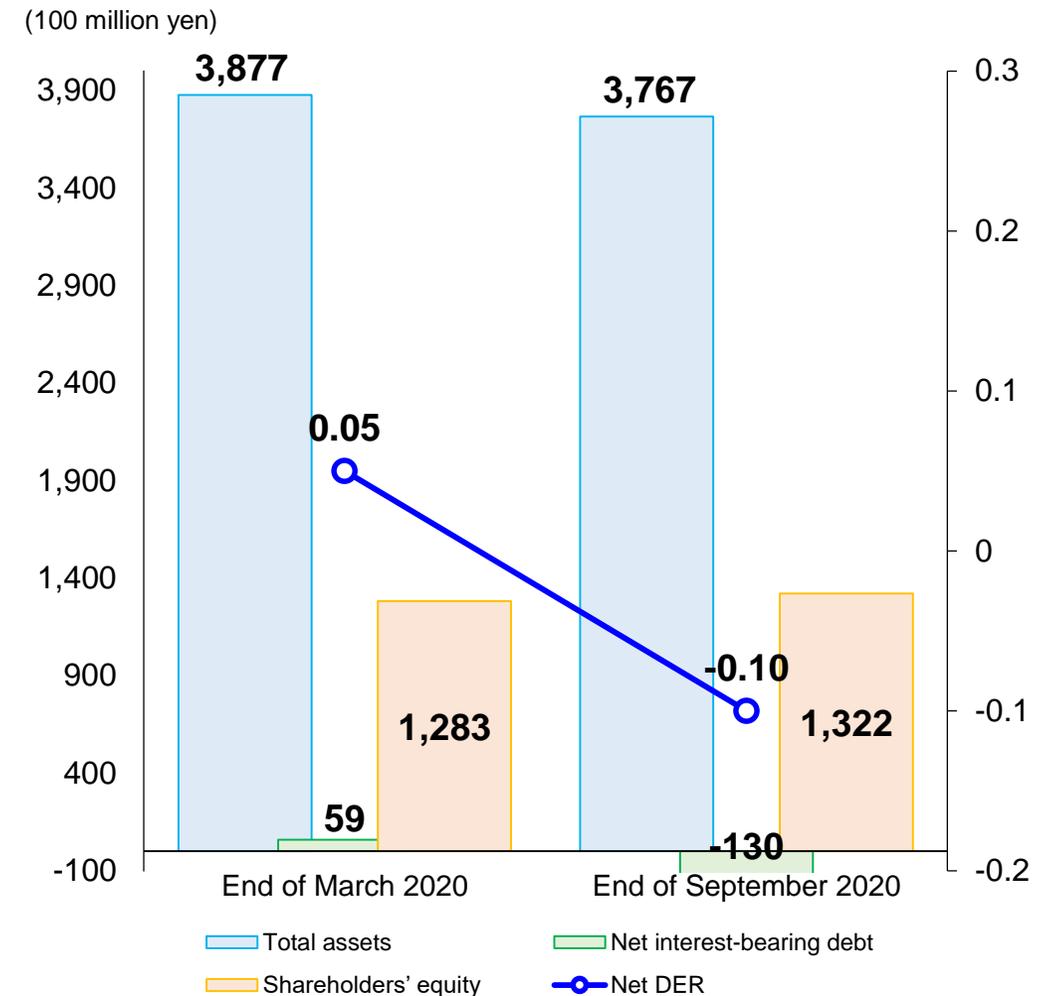
Analysis of Net Profit by Segment



Trade receivables/trade payables decreased due to the impact of handling volume, falling unit prices, etc.

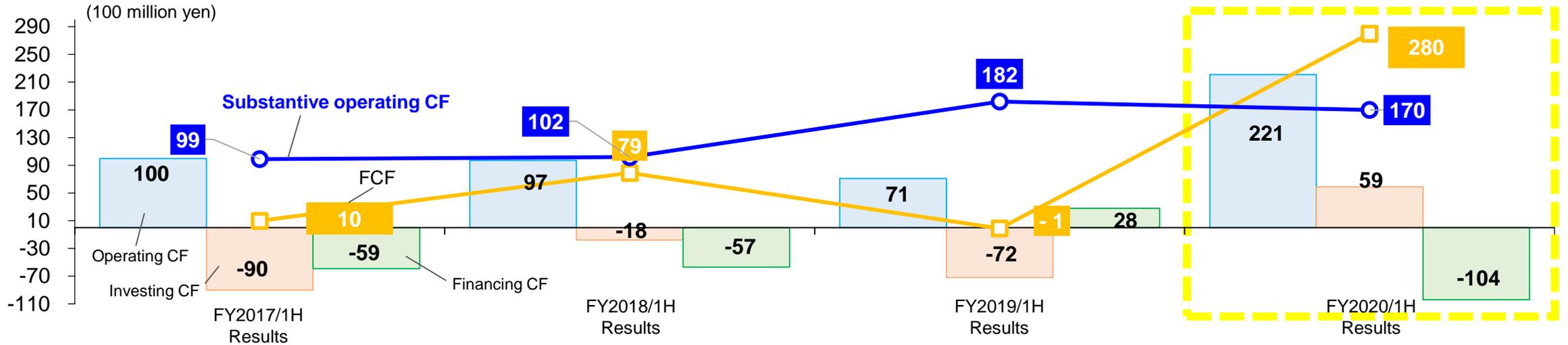
- Total assets:** Decreased 11 billion yen from the end of the previous year due to decreases in trade receivables/trade payables and came to **376.7 billion yen**.
- Shareholders' equity:** Increased 3.9 billion yen from the end of the previous year to **132.2 billion yen**, mainly reflecting a rise in net profit.
- Net DER:** Net DER is a negative value due to an increase in cash and deposits.

	(100 million yen)		
	End of March 2020 Results	End of September 2020 Results	Changes
Total assets	3,877	3,767	-110
Net interest-bearing debt	59	-130	-190
Shareholders' equity	1,283	1,322	+39
Ratio of shareholders' equity to net assets	33.1%	35.1%	+2.0pt
Net DER	0.05	-0.10	-0.14



Cash Flows

Operating CF increased after changes in working capital



Cash Flows	FY2017/1H Results	FY2018/1H Results	FY2019/1H Results	FY2020/1H Results
Cash flows from operating activities	100	97	71	221
Cash flows from investing activities	-90	-18	-72	59
(Free cash flows)	10	79	-1	280
Cash flows from financing activities	-59	-57	28	-104

Substantive cash flows

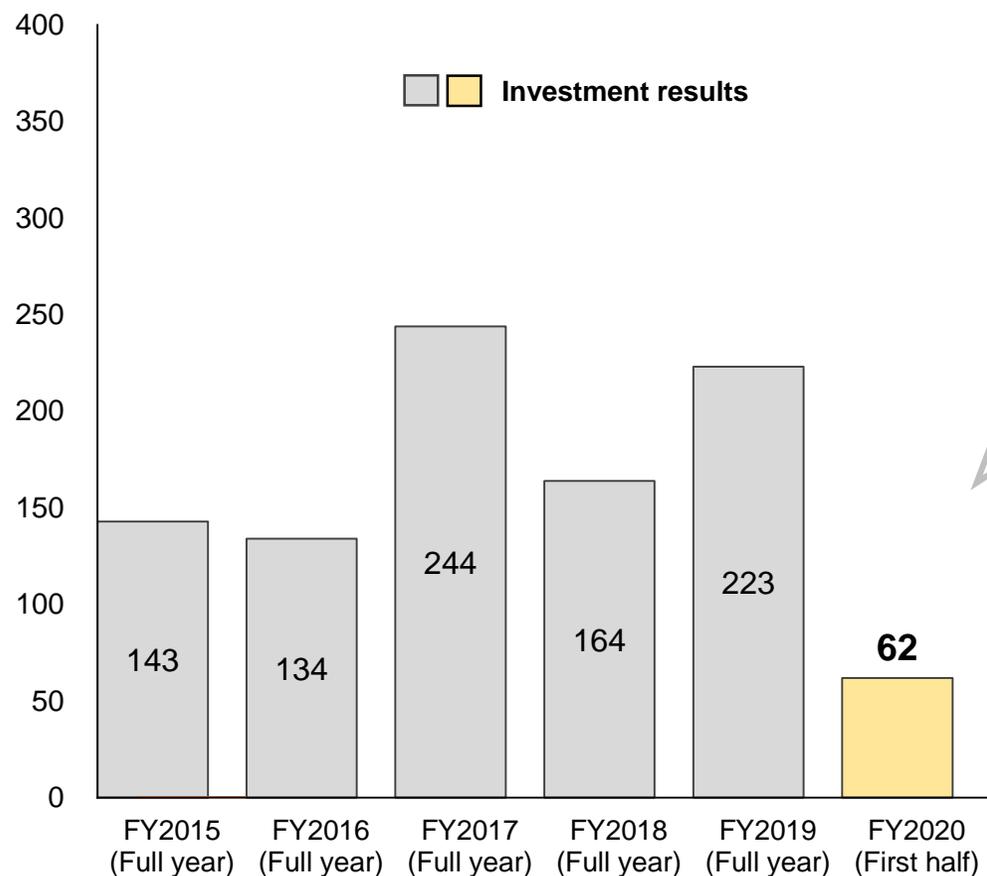
Substantive operating cash flows (*)	99	102	182	170
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(*) Operating CF – Increase/decrease in working capital

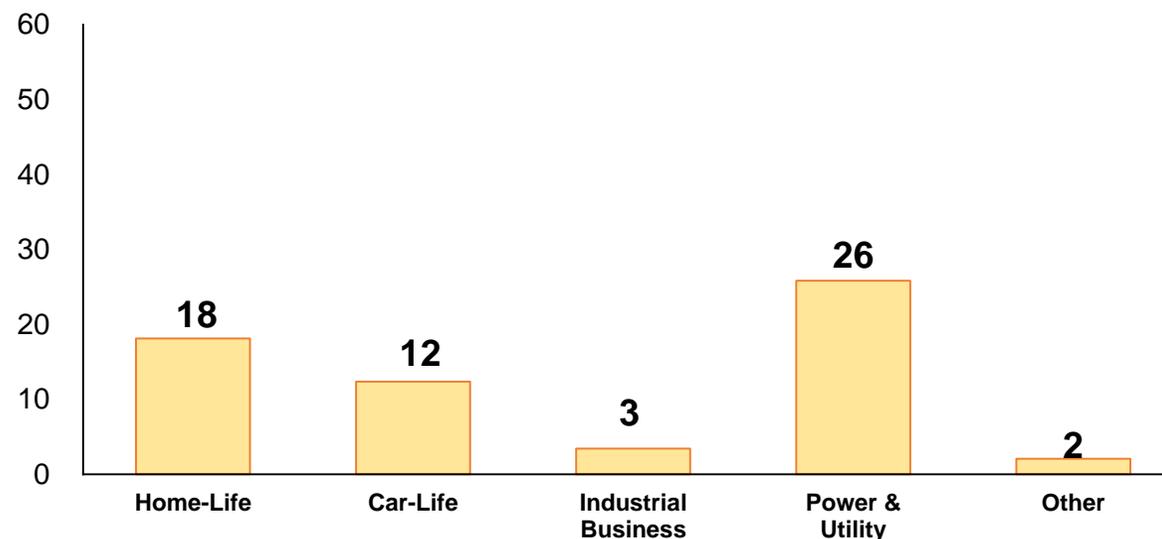
Capital investments were chiefly made in carefully selected items partly due to the pandemic

Company-wide

(100 million yen)



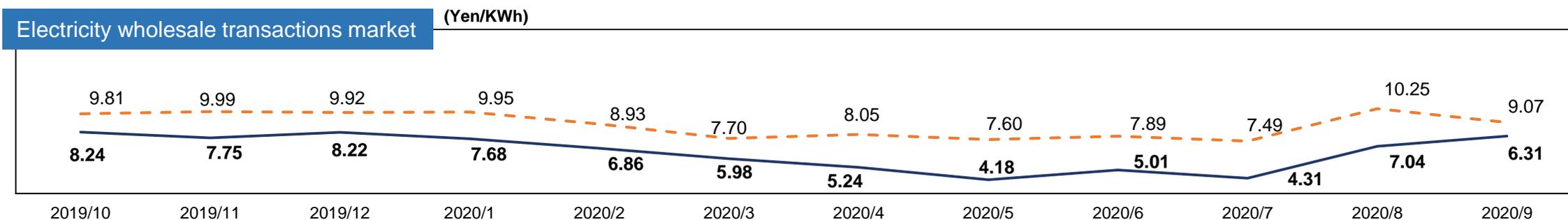
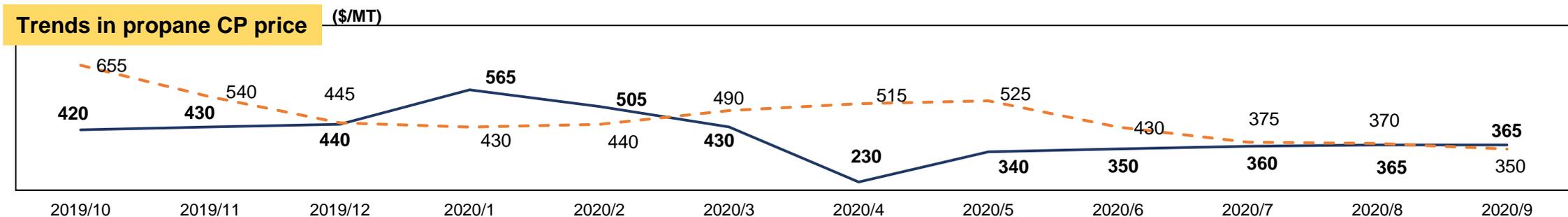
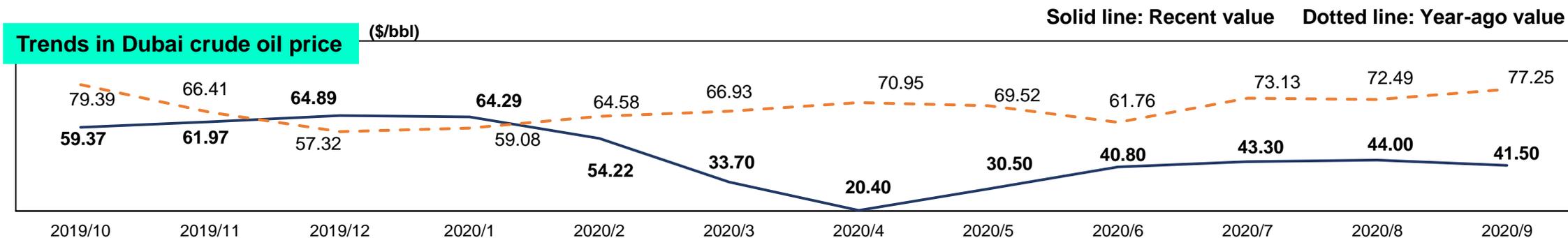
Investment results for the first half of FY2020 by segment



Major investment results

Home-Life	Investment in plant and equipment, acquisition of business rights, etc.
Car-Life	Investment in plant and equipment, etc.
Industrial Business	Investment in plant and equipment, etc.
Power & Utility	Investment in plant and equipment, etc.
Other	Investment in plant and equipment, etc.

Outlook for crude oil prices continues to be uncertain due to the impact of the COVID-19 coronavirus pandemic.



Overview of Consolidated Financial Results for First Six Months of FY2020

(2) Overview by Segment

Results by Segment

(100 million yen)

		FY2019/1H Results	FY2020/1H Results	Changes	Rate of change %	FY2020 Plan	Achievement rate
Company-wide	Net sales	4,391	3,195	-1,196	-27.2	7,100	45%
	Operating profit	95	102	+6	+6.7	160	64%
	Net profit	52	62	+11	+20.2	110	57%
Home-Life	Net sales	366	302	-64	-17.5	—	—
	Operating profit	6	0	-6	-93.7	—	—
	Net profit	2	0	-2	-93.3	26	1%
Car-Life	Net sales	2,556	1,839	-717	-28.1	—	—
	Operating profit	47	34	-13	-27.5	—	—
	Net profit	25	19	-6	-22.7	28	68%
Industrial Business	Net sales	955	685	-270	-28.2	—	—
	Operating profit	10	28	+18	+178.9	—	—
	Net profit	7	23	+16	+233.5	24	93%
Power & Utility	Net sales	515	370	-145	-28.2	—	—
	Operating profit	29	34	+5	+17.0	—	—
	Net profit	17	17	+1	+5.4	35	50%

Profit dropped reflecting the effect of inventories and shrinking sales volumes of LP gas and industrial gas.

(100 million yen)

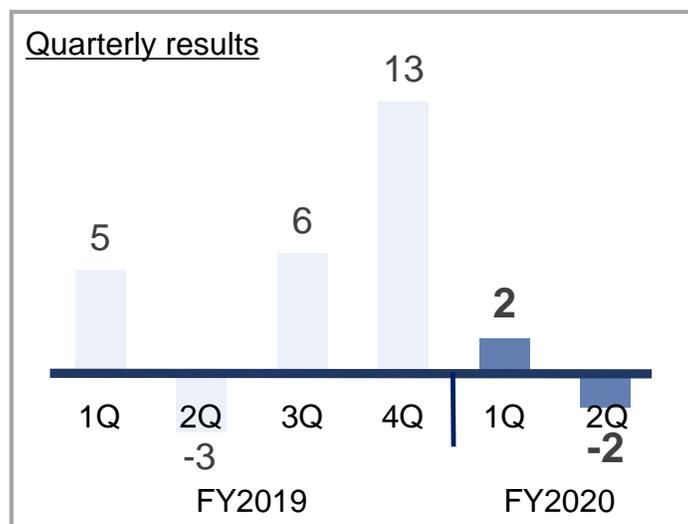
	FY2019/1H Results	FY2020/1H Results	Changes
Gross profit	99	92	-7
Selling, general and administrative expenses	-95	-91	+3
Operating profit	6	0	-6
Share of profit (loss) of investments accounted for using the equity method	1	2	+1
Net profit	2	0	-2

Major factors for increase/decrease (Net profit)

The number of customers under direct contract decreased by around 2,000 from the end of the previous fiscal year to approximately 549,000 after a sell-off of business rights.

The overall sales volume of LP gas fell year on year after the shrinkage in demand for business, industrial and automobile use due to the declining operating ratio of factories, despite soaring demand and sales for household use driven by those refraining from going out. Profit decreased, reflecting the effect of inventories following falling LP gas import prices and a decrease in the sales volumes of LP gas and industrial gas.

FY2020 Plan	Achievement rate
26	1%



Profit (loss) of major affiliates

	FY2019/1H Results	FY2020/1H Results	Changes
ITOCHU ENEX HOME-LIFE NISHI-NIHON	3	3	+0
ECORE (The Company's equity 51%)	3	2	-1
ENEARC (The Company's equity 50%)	3	2	-1

Number of customers (1,000)

	End of March 2020	End of September 2020	Changes
Number of customers under direct LP gas supply contracts	551	549	-2
Number of customers for electricity retail	93	100	+7

Sales volumes

	FY2019/1H Results	FY2020/1H Results	Changes
LP gas (thousand tons)	228	201	-12%
Industrial gas (million m ³ & thousand tons)	38	32	-15%

Profit decreased following a decline in the sales volume of oil products and a fall in the number of new cars sold in the car dealer business.

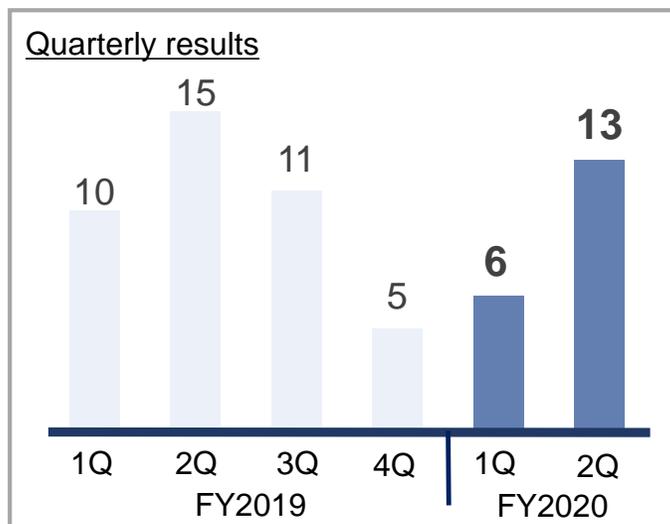
(100 million yen)

	FY2019/1H Results	FY2020/1H Results	Changes
Gross profit	237	224	-13
Selling, general and administrative expenses	-192	-190	+2
Operating profit	47	34	-13
Share of profit (loss) of investments accounted for using the equity method	0	0	-0
Net profit	25	19	-6

Major factors for increase/decrease (Net profit)

The number of filling stations decreased by 13 from the end of the previous fiscal year to 1,691. The sales volume of oil products was poorer than in the same period of the previous year, and so was the number of new cars sold due to shortened business hours at dealers associated with the measures addressing the COVID-19 pandemic and the rush of demand before the consumption tax hike in the previous fiscal year. Profit decreased due to declines in the sales volume of oil products, in the number of new cars sold in the car dealer business and in service revenue.

FY2020 Plan	Achievement rate
28	68%



Profit (loss) of major affiliates

	FY2019/1H Results	FY2020/1H Results	Changes
ENEX FLEET	8	13	+5
Osaka Car Life Group (The Company's equity 51.95%)	5	2	-3

Sales volumes

	FY2019/1H Results	FY2020/1H Results	Changes
Gasoline (thousand KL)	977	830	-15%
Kerosene (thousand KL)	90	81	-9%
Diesel oil (thousand KL)	1,033	963	-7%
New cars (thousand units)	14	11	-20%
Used cars (thousand units)	13	10	-19%

Profit rose substantially thanks to export/import operations for oil products in line with changes in crude oil prices.

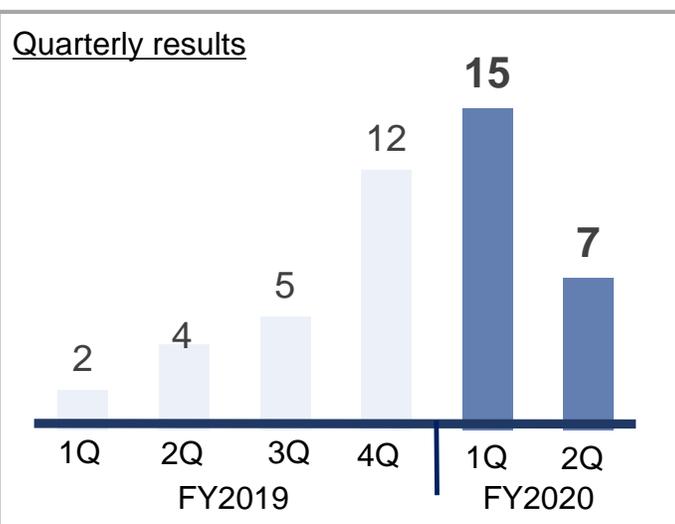
(100 million yen)

	FY2019/1H Results	FY2020/1H Results	Changes
Gross profit	32	48	+16
Selling, general and administrative expenses	-23	-20	+3
Operating profit	10	28	+18
Share of profit (loss) of investments accounted for using the equity method	0	0	+0
Net profit	7	23	+16

Major factors for increase/decrease (Net profit)

The sales volume of oil products for industrial use and fuel cards for cars decreased year on year following the slumping operating ratio at factories and the decreased use of cards for company vehicles. The asphalt business saw sales volume fell year on year. Meanwhile, in the marine fuel business, sales volume rose after steady sales to ocean-going vessels. Profit jumped substantially due to export-import operations for oil products in view of changing crude oil prices and the reduction of operating expenses.

FY2020 Plan	Achievement rate
24	93%



Sales volumes

	FY2019/1H Results	FY2020/1H Results	Changes
Gasoline (thousand KL)	482	355	-26%
Kerosene (thousand KL)	240	122	-49%
Diesel oil (thousand KL)	558	516	-8%
Heavy fuel oil (thousand KL)	973	1,063	+9%
Asphalt (thousand tons)	164	139	-15%

Profit increased due to a higher operating rate than the previous year in the power generation area.

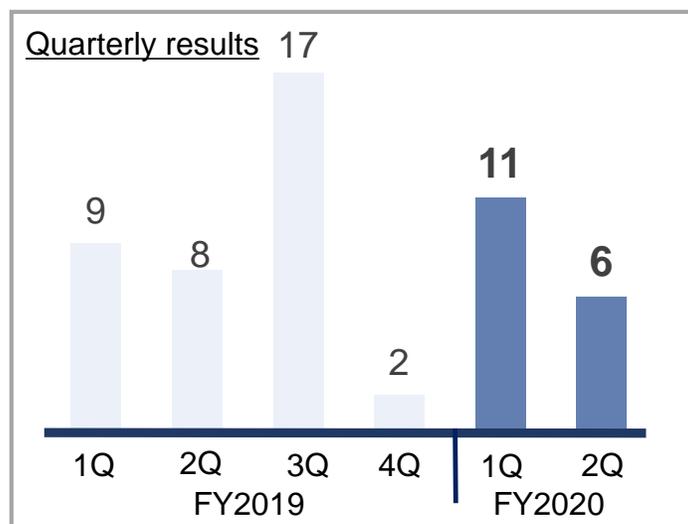
(100 million yen)

	FY2019/1H Results	FY2020/1H Results	Changes
Gross profit	55	57	+2
Selling, general and administrative expenses	-23	-23	+0
Operating profit	29	34	+5
Share of profit (loss) of investments accounted for using the equity method	5	2	-3
Net profit	17	17	+1

Major factors for increase/decrease (Net profit)

Electricity retail sales dropped year on year. While low-voltage power sales volume grew following rising consumption volume for household use due to demand from those refraining from going out and an increase in the number of low-voltage power contracts mainly for household use, the number of large high-voltage power contracts for corporate use contracted considerably. Profit grew reflecting completion of the large regular repair in the previous fiscal year in the power generation area, which led to an increasing operating ratio in the current fiscal year.

FY2020 Plan	Achievement rate
35	50%



Profit (loss) of major affiliates

	FY2019/1H Results	FY2020/1H Results	Changes
ENEX Electric Power Group	1	6	+4
ENEX LIFE SERVICE	1	2	+0
Tokyo Toshi Service Company (The Company's equity 66.6%)	7	9	+1
Oji-Itochu Enex power retailing Co., Ltd. (The Company's equity 60.0%)	3	4	+1

Sales volumes

	FY2019/1H Results	FY2020/1H Results	Changes
Electricity Retail (GWh)*	1,244	1,096	-12%
Breakdown:			
Sales of high voltages*	1,051	837	-20%
Sales of low voltages*	192	259	+34%
Steam (thousand tons)	296	250	-16%
Heat quantity (TJ)	770	755	-2%

(* Calculated based on preliminary values)

Appendix

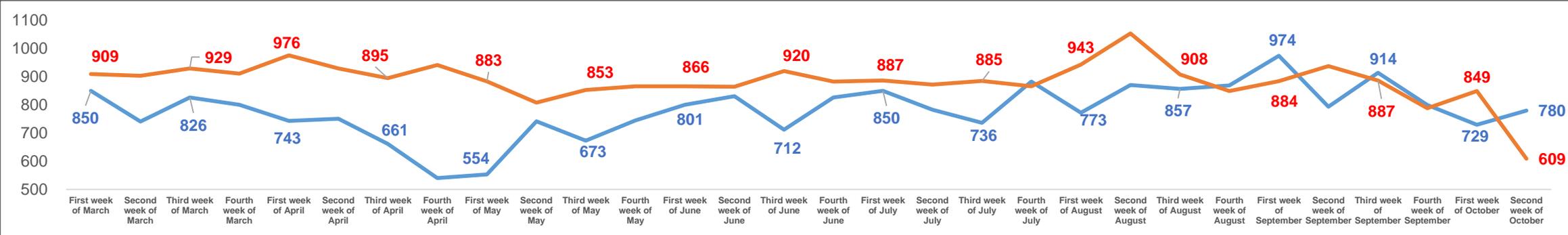
Appendix

[Reference] Shipments of gasoline and diesel oil in Japan (national statistics)

* Created based on statistics from Petroleum Association of Japan

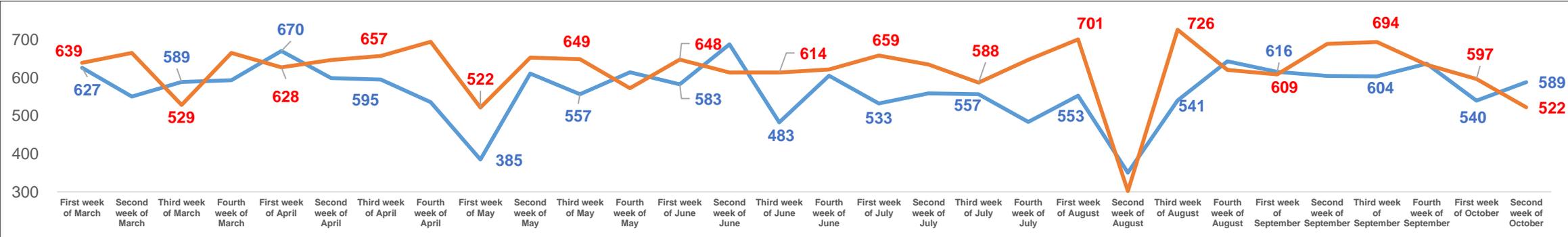
Weekly shipment volume of gasoline

Unit: Thousand kiloliters



Weekly shipment volume of diesel oil

Unit: Thousand kiloliters



[Reference] Monthly sales volume of LP gas (January to August, national statistics)

Unit: Thousand tons

	January			February			March			April		
	2019	2020	Changes	2019	2020	Changes	2019	2020	Changes	2019	2020	Changes
For household and business use	827	780	-6%	795	747	-6%	750	749	-1%	675	646	-4%
For cars	50	45	-10%	48	42	-12%	50	41	-19%	49	29	-42%

Unit: Thousand tons

	May			June			July			August		
	2019	2020	Changes	2019	2020	Changes	2019	2020	Changes	2019	2020	Changes
For household and business use	562	513	-9%	449	454	+1%	497	451	-9%	437	412	-6%
For cars	47	22	-53%	48	31	-36%	50	37	-27%	52	35	-32%

* Created based on statistics from Japan LP Gas Association

[Reference] Monthly sales of new cars (standard-sized cars and compact cars) (January to September, national statistics)

Unit: Thousand units

January			February			March			April			May		
2019	2020	Changes	2019	2020	Changes	2019	2020	Changes	2019	2020	Changes	2019	2020	Changes
218	193	-12%	261	233	-11%	357	322	-10%	200	145	-28%	213	124	-42%
June			July			August			September					
2019	2020	Changes	2019	2020	Changes	2019	2020	Changes	2019	2020	Changes			
248	182	-27%	258	207	-20%	202	169	-16%	300	252	-16%			

* Created based on statistics from Japan Automobile Dealers Association

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