

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



October 31, 2018

Consolidated Financial Results for the First Six 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: November 13, 2018

Scheduled date to commence dividend payments: December 4, 2018

Preparation of supplementary results briefing material on quarterly financial results: Yes

Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the first six months of the fiscal year ending March 31, 2019 (from April 1, 2018 to September 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	%
Six months ended												
September 30, 2018	606,834	19.5	8,884	(5.7)	9,392	13.4	6,562	26.7	5,447	37.2	7,080	28.8
September 30, 2017	507,990	8.9	9,421	21.5	8,282	14.4	5,180	10.6	3,969	7.1	5,496	30.9

	Basic earnings per share attributable to Itochu Enex's shareholders	Diluted earnings per share attributable to Itochu Enex's shareholders
Six months ended	Yen	Yen
September 30, 2018	48.25	—
September 30, 2017	35.14	—

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	%
September 30, 2018	377,608	140,978	119,360	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 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 September 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 September 30, 2018	4,002,255 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 six months ended September 30, 2018	112,878,931 shares
For the six months ended September 30, 2017	112,957,384 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 Six 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 Six 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 six months ended September 30, 2018, Japan’s economy maintained a recovery trend with steady improvement in corporate earnings and the employment environment. However, the outlook for the economy remained uncertain due to risks of a slowdown in the global economy stemming from the intensified trade friction caused by protectionist policies in the United States, currency crises in emerging countries, 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 groups and business divisions 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.

During these reorganizations, we newly established the Energy & Logistics Group, which is composed of the Home-Life Division and the Life & Industrial Energy Division, which was formed by combining the former Life Energy & Logistics Division and the Industrial Energy & Logistics Division. In addition, we formed the Power & Utility Group which is composed of the Power & Utility Division, to give a structure consisting of two business groups.

Moreover, the Automobile Business Office was reorganized and upgraded to become the Mobility Life Department, and began operations in April 2018.

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

Revenue was ¥475,378 million (up 34.9% 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 ¥8,884 million (down 5.7% 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 ¥5,447 million (up 37.2% 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

Results of operations by segment are as follows. Following the reorganization of the Group carried out in April 2018, the reportable segments have changed. For that reason, the year-on-year comparisons have been recalculated based on the reportable segments as they exist after the reorganization.

<Energy & Logistics Group>

Home-Life Division

In the Home-Life Division during the six months ended September 30, 2018, the number of customers under direct LP gas supply contracts increased by around 2,000 to approximately 548,000. The effect of inventory valuation changes improved year on year as the LP gas import prices have proceeded at a higher level year on year.

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 16,000 for a total of approximately 70,000.

With regard to profitability, gross profit decreased 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. However, because some of the losses related to the reorganization and integration that took place in the corresponding period of the previous fiscal year were given accelerated recognition, this resulted in an improvement in the share of profit (loss) of investments accounted for by the equity method, leading to net profit attributable to Itochu Enex's shareholders posting a year-on-year increase.

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 ¥40,248 million (down 4.0% year on year), profit from operating activities was ¥1,151 million (up 39.7% year on year), and net profit attributable to Itochu Enex's shareholders was ¥779 million (compared with net loss attributable to Itochu Enex's shareholders of ¥633 million in the corresponding period of the previous fiscal year).

Life & Industrial Energy Division

During the six months ended September 30, 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. At subsidiary ENEX FLEET CO., LTD., initiatives to differentiate the CS business using customer-oriented services have been successful, and sales volumes have increased year on year.

During the six months ended September 30, 2018, the total number of Group's CS was 1,783. This net decrease of 29 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 398, a net increase of 28 over the end of the previous fiscal period.

In the business related to local industries, in the tank leasing business we have installed a new chemical products storage tank on the Fukuoka site where our internal-use tank once stood, and are moving ahead with initiatives to implement appropriate expansion and management of assets in order to move up the value chain. In each geographical area, 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, revenue was ¥335,708 million (up 48.2% year on year), profit from operating activities was ¥4,032 million (up 18.8% year on year), and net profit attributable to Itochu Enex's shareholders was ¥2,769 million (up 21.8% 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 six months ended September 30, 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, volatility in the wholesale trading market and intensified price competition led to a 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 companies in other industries, and investigate new value proposals by developing electricity sales, with some additional value-added component, to households and small companies.

In the power generation field, the new thermal power plant that began operations in October 2017 led to a year-on-year increase both in total power generation and profit. 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, revenue was ¥46,437 million (up 43.7% year on year), profit from operating activities was ¥2,614 million (down 32.5% year on year), and net profit attributable to Itochu Enex's shareholders was ¥1,411 million (down 25.0% 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 six months ended September 30, 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 production business in the US has begun full-scale operation, and the local plant has succeeded in improving the pretreatment of raw materials, leading to improved operating rates. Going forward, we will continue our efforts to maintain stable operating levels.

As a result of these activities, revenue was ¥52,985 million (up 2.5% year on year), profit from operating activities was ¥561 million (down 21.8% year on year), and net profit attributable to Itochu Enex’s shareholders was ¥112 million (up 18.1% year on year).

(2) Explanation of Financial Position

Assets, liabilities and equity

Total assets amounted to ¥377,608 million as of September 30, 2018, a decrease of ¥5,013 million from March 31, 2018. This decrease mainly reflected a decrease in trade receivables of ¥5,145 million due to seasonal factors. Total liabilities amounted to ¥236,630 million, a decrease of ¥8,925 million from March 31, 2018, mainly due to repayments of borrowings of ¥1,777 million and a decrease in income taxes payable of ¥1,710 million. Total equity totaled ¥140,978 million, an increase of ¥3,912 million from March 31, 2018, due to factors including an increase of ¥5,447 million from net profit attributable to Itochu Enex’s shareholders and a decrease of ¥3,171 million by payment of cash dividends.

Cash flows

Cash and cash equivalents (net cash) totaled ¥24,850 million as of September 30, 2018, up ¥2,277 million from March 31, 2018.

Cash flows from operating activities

Operating activities provided net cash of ¥9,745 million. Major items included profit before tax of ¥9,392 million, depreciation and amortization of ¥5,018 million, an increase in inventories of ¥2,002 million and income taxes paid of ¥3,797 million. Net cash provided decreased ¥212 million year on year.

Cash flows from investing activities

Investing activities used net cash of ¥1,758 million. Major items included payments for purchase of property, plant and equipment and investment property, etc. of ¥5,381 million, mainly in Power & Utility Division, and a decrease in deposits paid of ¥4,999 million. Net cash used decreased ¥7,213 million year on year.

Cash flows from financing activities

Financing activities used net cash of ¥5,736 million. Major items included expenditures due to a decrease in interest-bearing debt of ¥2,564 million and expenses as payment of cash dividends of ¥3,171 million. Net cash used decreased ¥188 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 September 30, 2018
ASSETS		
Current assets		
Cash and cash equivalents	22,573	24,850
Trade receivables	119,541	114,396
Other current financial assets	38,860	34,505
Inventories	28,380	30,382
Trade advances paid	1,690	155
Other current assets	1,725	2,235
Total current assets	212,769	206,523
Non-current assets		
Investments accounted for by the equity method	26,145	28,551
Other investments	3,406	3,766
Non-current financial assets other than investments	11,400	11,398
Property, plant and equipment	85,326	85,562
Investment property	10,166	9,736
Goodwill	692	692
Intangible assets	20,798	20,476
Deferred tax assets	10,502	9,425
Other non-current assets	1,417	1,479
Total non-current assets	169,852	171,085
Total assets	382,621	377,608

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
LIABILITIES AND EQUITY		
Current liabilities		
Short-term bonds and borrowings	12,432	16,793
Trade payables	127,445	127,251
Other current financial liabilities	8,539	6,819
Income taxes payable	3,650	1,940
Advances from customers	10,583	9,739
Other current liabilities	12,280	9,880
Total current liabilities	174,929	172,422
Non-current liabilities		
Non-current bonds and borrowings	30,273	24,135
Other non-current financial liabilities	23,335	22,911
Non-current liabilities for employee benefits	9,820	9,991
Deferred tax liabilities	2,185	2,345
Provisions	4,757	4,666
Other non-current liabilities	256	160
Total non-current liabilities	70,626	64,208
Total liabilities	245,555	236,630
Equity		
Common stock	19,878	19,878
Capital surplus	18,892	18,895
Retained earnings	80,352	83,086
Other components of equity	(1,145)	(626)
Treasury stock	(1,873)	(1,873)
Total shareholders' equity	116,104	119,360
Non-controlling interests	20,962	21,618
Total equity	137,066	140,978
Total liabilities and equity	382,621	377,608

(2) Condensed Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Revenue	352,395	475,378
Cost of sales	(308,202)	(434,045)
Gross profit	44,193	41,333
Other income and expense		
Selling, general and administrative expenses	(35,385)	(32,524)
Loss from tangible assets, intangible assets and goodwill	(86)	(186)
Other – net	699	261
Total other income and expense	(34,772)	(32,449)
Profit from operating activities	9,421	8,884
Financial income and costs		
Interest income	23	42
Dividends received	270	53
Interest expense	(472)	(438)
Other financial income and costs – net	(117)	(5)
Total financial income and costs	(296)	(348)
Share of profit (loss) of investments accounted for by the equity method	(843)	856
Profit before tax	8,282	9,392
Income tax expense	(3,102)	(2,830)
Net profit	5,180	6,562
Net profit attributable to:		
Net profit attributable to Itochu Enex's shareholders	3,969	5,447
Net profit attributable to non-controlling interests	1,211	1,115
Total	5,180	6,562

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Other comprehensive income, net of tax effect		
Items that will not be reclassified to profit or loss		
FVTOCI financial assets	577	244
Other comprehensive income of investments accounted for by the equity method	1	(1)
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	(15)	(11)
Cash flow hedges	33	64
Other comprehensive income of investments accounted for by the equity method	(280)	222
Total other comprehensive income, net of tax effect	316	518
Comprehensive income	5,496	7,080
Comprehensive income attributable to:		
Comprehensive income attributable to Itochu Enex's shareholders	4,285	5,965
Comprehensive income attributable to non-controlling interests	1,211	1,115
Total	5,496	7,080

(Yen)

Earnings per share attributable to Itochu Enex's shareholders		
Basic	35.14	48.25
Diluted	–	–

(Millions of yen)

Total trading transactions	507,990	606,834
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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)

	Six months ended September 30, 2017	Six months ended September 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	3,969	5,447
Transfer from other components of equity	1	(1)
Cash dividends paid to Itochu Enex's shareholders	(2,090)	(2,712)
Balance at the end of the period	75,180	83,086
Other components of equity		
Balance at the beginning of the period	(1,655)	(1,145)
Other comprehensive income attributable to Itochu Enex's shareholders	317	518
Transfer to retained earnings	(1)	1
Balance at the end of the period	(1,339)	(626)
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	110,586	119,360
Non-controlling interests		
Balance at the beginning of the period	18,966	20,962
Net profit attributable to non-controlling interests	1,211	1,115
Other comprehensive income attributable to non-controlling interests	0	0
Cash dividends paid to non-controlling interests	(615)	(459)
Changes due to additional acquisitions and sales of interests in subsidiaries	–	(0)
Balance at the end of the period	19,562	21,618
Total equity	130,148	140,978

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Profit before tax	8,282	9,392
Depreciation and amortization	5,537	5,018
Loss from tangible assets, intangible assets and goodwill	86	186
Financial income and costs	296	348
Share of loss (profit) of investments accounted for by the equity method	843	(856)
Decrease in trade receivables	7,485	5,306
Decrease (increase) in inventories	1,416	(2,002)
Decrease in trade payables	(1,915)	(194)
Other – net	(6,936)	(3,539)
Dividends received	498	268
Interest received	13	28
Interest expense	(452)	(413)
Income taxes paid	(5,196)	(3,797)
Net cash flows provided by operating activities	9,957	9,745
Cash flows from investing activities		
Purchase of investments accounted for by the equity method	(651)	(1,486)
Purchase of investments	(246)	(51)
Proceeds from sales of investments	14	35
Acquisition of subsidiaries, net of cash acquired	(1,288)	–
Payment for loans receivable	(156)	(447)
Collection of loans receivable	219	311
Payments for purchase of property, plant and equipment and investment property	(7,007)	(5,381)
Proceeds from sales of property, plant and equipment and investment property	1,515	654
Purchase of intangible assets	(1,217)	(448)
Proceeds from sales of intangible assets	78	32
Decrease in deposits paid – net	3,000	4,999
Other – net	(3,232)	24
Net cash flows used in investing activities	(8,971)	(1,758)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from financing activities		
Repayments of bonds and borrowings	(6,886)	(1,858)
Net increase (decrease) in short-term borrowings	3,787	(706)
Cash dividends paid to Itochu Enex's shareholders	(2,090)	(2,712)
Cash dividends paid to non-controlling interests	(615)	(459)
Purchase of treasury stock	(120)	(0)
Other – net	–	(1)
Net cash flows used in financing activities	(5,924)	(5,736)
Net increase (decrease) in cash and cash equivalents	(4,939)	2,251
Cash and cash equivalents at the beginning of the period	22,727	22,573
Effect of exchange rate changes on cash and cash equivalents	9	26
Cash and cash equivalents at the end of the period	17,797	24,850

(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 ¥84,013 million in the condensed quarterly consolidated statement of comprehensive income for the six months ended September 30, 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 six months ended September 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	41,918	226,463	32,326	51,688	352,395	–	352,395
Intersegment revenue	35	1,581	2,912	–	4,528	(4,528)	–
Total revenue	41,953	228,044	35,238	51,688	356,923	(4,528)	352,395
Gross profit	12,683	16,998	5,932	8,580	44,193	–	44,193
Profit from operating activities	824	3,392	3,876	718	8,810	611	9,421
Profit before tax	104	3,381	3,725	522	7,732	550	8,282
Net profit (loss) attributable to Itochu Enex's shareholders	(633)	2,273	1,882	95	3,617	352	3,969
Other items							
Total assets	63,287	126,493	74,342	50,629	314,751	19,414	334,165
Total trading transactions	44,246	379,337	33,981	50,426	507,990	–	507,990

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

The adjustment of ¥352 million to net profit attributable to Itochu Enex's shareholders represents corporate profit (loss) not allocated to reportable segments.

The adjustment of ¥19,414 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 six months ended September 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	40,248	335,708	46,437	52,985	475,378	–	475,378
Intersegment revenue	46	1,571	3,165	–	4,782	(4,782)	–
Total revenue	40,294	337,279	49,602	52,985	480,160	(4,782)	475,378
Gross profit	10,374	17,395	4,857	8,707	41,333	–	41,333
Profit from operating activities	1,151	4,032	2,614	561	8,358	526	8,884
Profit before tax	1,611	4,049	2,778	486	8,924	468	9,392
Net profit attributable to Itochu Enex's shareholders	779	2,769	1,411	112	5,071	376	5,447
Other items							
Total assets	60,968	146,027	85,813	54,787	347,595	30,013	377,608
Total trading transactions	44,959	461,968	48,262	51,645	606,834	–	606,834

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

The adjustment of ¥376 million to net profit attributable to Itochu Enex's shareholders represents corporate profit (loss) not allocated to reportable segments.

The adjustment of ¥30,013 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 six 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 six months ended September 30, 2018.