

ITOCHU ENEX CO., LTD.

(TSE First Section, 8133)

FY2020 Financial Results for First Three Months

July 31, 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 Three Months of FY2020

- Quarterly net profits increased 0.9 billion yen to 3.6 billion yen, 32.4% year on year.**
 Profit increased because the sales volume of LP gas for household use and electricity remained steady due to demand driven by people consuming differently as they refrain from leaving home because of the COVID-19 coronavirus pandemic and a reduction in operating expenses because of operations which understood changing crude oil prices in the exports/imports of oil products.
- The ratio of SG&A expenses to gross profit came to 78.0%, a 1.7% decrease year on year, suggesting that expenses were properly controlled as in the previous year.**

Net sales

148.2 billion yen (-32.7% year on year)

Operating profit

4.4 billion yen (+3.1% year on year)

Gross profit

20.4 billion yen (-1.5% year on year)





Net profit

3.6 billion yen (+32.4% year on year)

The impact of the COVID-19 coronavirus pandemic

Its impact on sales of cars is big, but overall the impact is minor at the present time.

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"> ❑ Demands for LP gas for business, industrial use, automobile use and gas for industrial use decreased due to the impact of the declining operating rate of factories, etc. ❑ LP gas for household use increased due to demand driven by those refraining from going out.
	Power	<ul style="list-style-type: none"> ❑ Sales volume of high-voltage power decreased due to a declining operating rates of stores/factories, etc. which are power supply destinations. ❑ 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 shortened business hours at dealers associated with measures addressing the COVID-19 pandemic.. ❑ Sales volume significantly decreased. The number of vehicles sold from April to June was down 24% year on year.

Sales volume

■ Gasoline	558,000 KL (-22.1% year on year)	■ LP gas	111,000 tons (-12.0% year on year)	■ Electricity Retail (GWh)	509 GWh (-11.8% year on year)
■ Diesel oil	737,000 KL (-5.2% year on year)	■ Industrial gas (million m3 & thousand tons)	16,000 tons (-16.2% year on year)	■ New cars	5,000 units (-23.6% year on year)

Measures to address the Coronavirus Pandemic

Enhancement/Reinforcement of teleworking environment, Facilitation of working from home



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 July 2020

	End of March 2020 Results	End of June 2020 Results	Changes
Cash and cash equivalents	192	469	+277
Other current financial assets	281	181	-100

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

(1) Overview of the Entire Company

(2) Overview by Segment

◇ **Appendix**

Overview of Consolidated Financial Results for First Three Months of FY2020

(1) Overview of the Entire Company

Summary of Financial Results for 1Q/FY2020

Profit substantially increased due to demand driven by those refraining from leaving home, export-import operations of oil products, and a reduction in expenses.



(100 million yen)	FY2019 1Q Results	FY2020 1Q Results	Changes	FY2020 Plan	Achievement rate
Net sales	2,202	1,482	- 720	7,100	21%
Gross profit	207	204	- 3		
Selling, general and administrative expenses	-165	-159	+ 6		
Operating profit	43	44	+ 1	160	28%
Share of profit (loss) of investments accounted for using the equity method	7	6	- 1		
Net profit	27	36	+ 9	110	33%
Ratio of SG&A expenses to gross profit	79.7%	78.0%	-1.7%		
Dividends (yen/share)	—	—	—	44	—

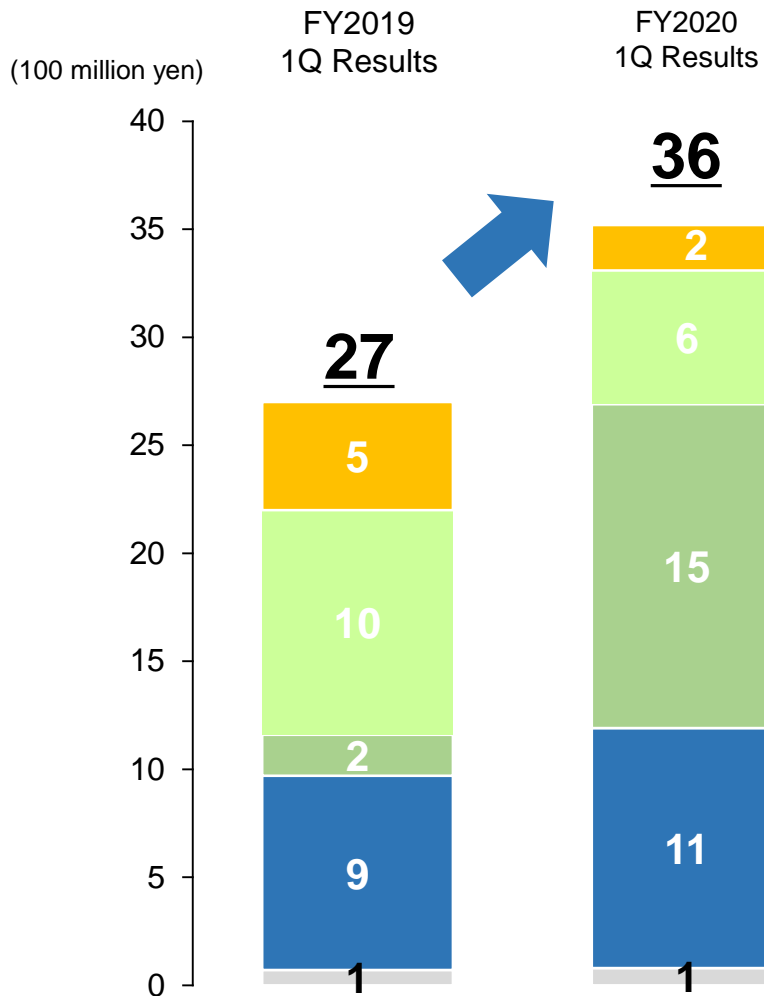
□ Quarterly net profits increased 0.9 billion yen, 32.4% year on year.

Profit increased because the sales volume of LP gas for household use and electricity remained steady due to demand driven by people consuming differently as they refrain from leaving home because of the COVID-19 coronavirus pandemic and a reduction in operating expenses because of operations which understood changing crude oil prices in the exports/imports of oil products.

□ The ratio of SG&A expenses to gross profit came to 78.0%, a 1.7% decrease year on year, suggesting that expenses were properly 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: -¥300 million, Percent of the plan achieved: 7%)

The number of customers under direct contracts slightly decreased to 550,000. For LP gas sales volume, LP gas for household use increased due to demand driven by those refraining from going out. However, demand for gas for business, industrial and automobile use declined due to declining operating rates at factories. Overall, it fell year on year. Profit decreased reflecting the effect of inventories due to a fall in import prices of LP gas and decreases in sales volumes of LP gas and industrial gas.

Car-Life (YoY: -¥400 million, Percent of the plan achieved: 22%)

The Sales volume of oil products fell short of its level in the previous year. In addition, the number of new cars sold substantially fell year on year due to shortened business hours at dealers associated with measures to address the COVID-19 pandemic. Profit decreased due to a decline in the sales volume of oil products and decreases in the number of cars sold and service revenue in the car dealer business.

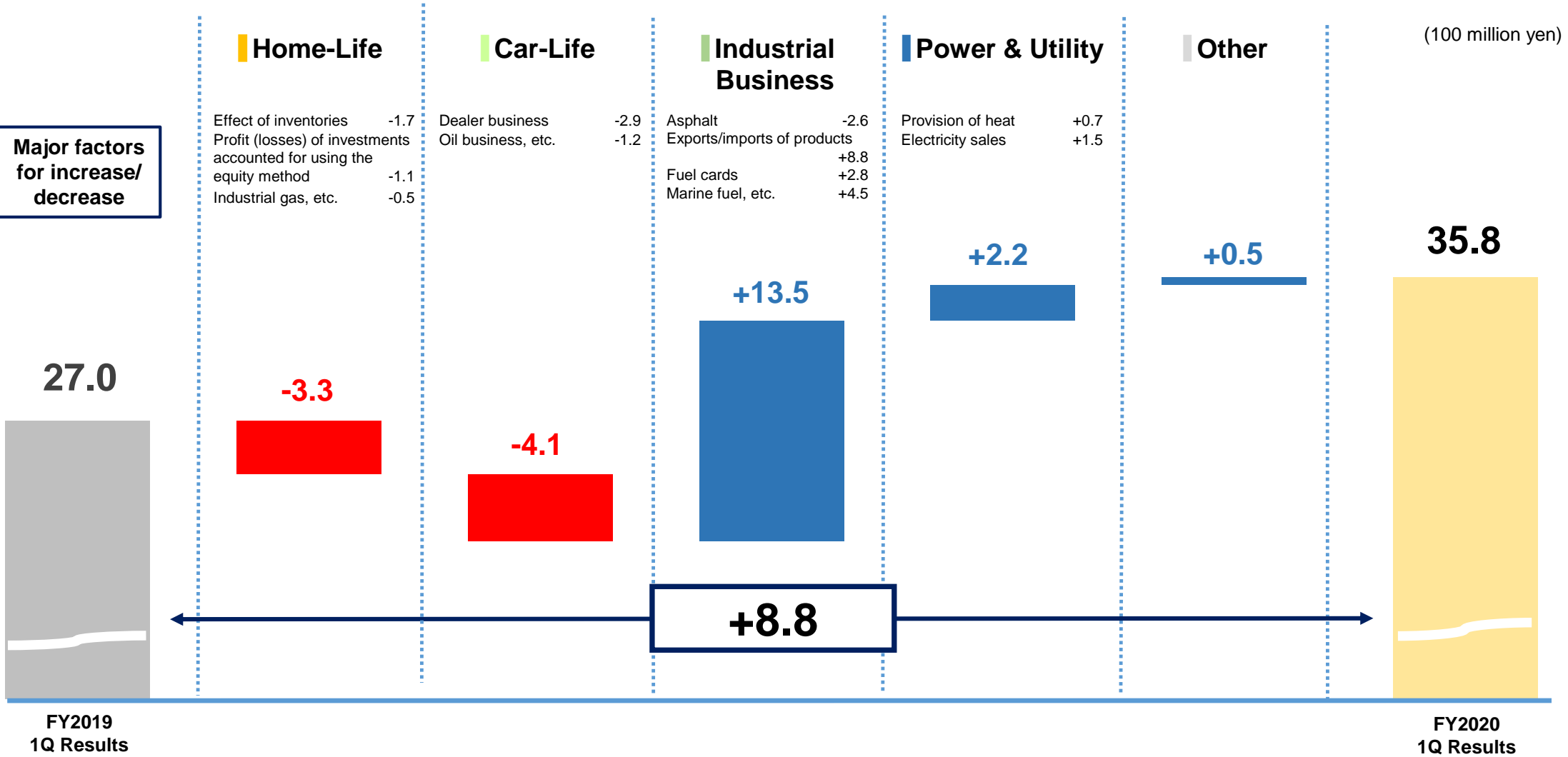
Industrial Business (YoY: +¥1300 million, Percent of the plan achieved: 63%)

For oil products for industrial use and fuel cards for cars, sales volume declined year on year due to a declining operating rate at factories and a decrease in the use of cards for company vehicles. Meanwhile, the sales volumes of asphalt and marine fuel rose. Profit substantially rose thanks to operations which understood changing crude oil prices in the exports/imports of oil products, and a reduction in operating expenses.

Power & Utility (YoY: +¥200 million, Percent of the plan achieved: 32%)

Electricity retail sales increased because the consumption volume of power for household use rose due to demand from those refraining from leaving home. Moreover, low-voltage power sales volume increased due to a rise in the number of low-voltage power contracts, mainly for household use. However, sales volume fell year on year reflecting a big fall in large high-voltage power contracts for corporate use. Profit rose due to the completion of large, regular repair work conducted in the last fiscal year in the power generation area and a rising operation rate in the current fiscal year.

Analysis of Net Profit by Segment



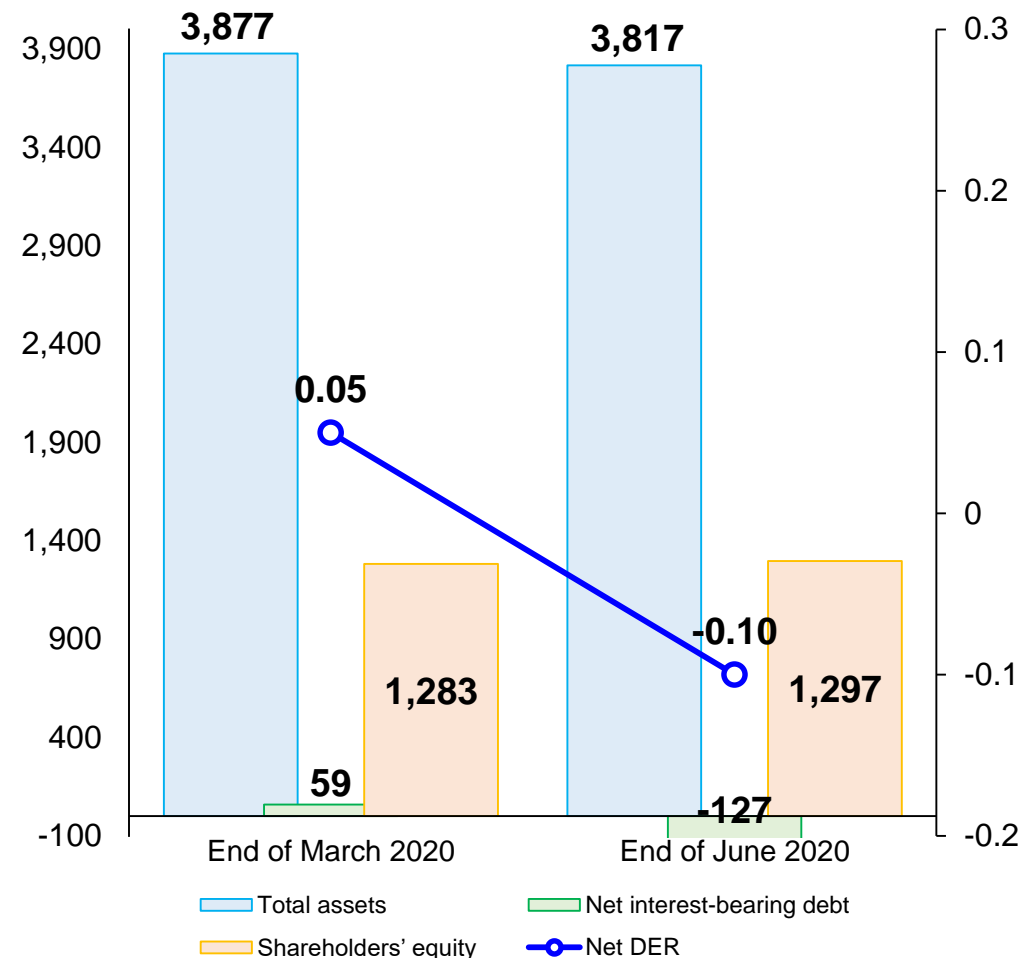
Trade receivables/trade payables decreased due to the impact of handling volume, falling unit prices, etc.

- Total assets:** Decreased 6 billion yen from the end of the previous year due to decreases in trade receivables/trade payables and came to 381.7 billion yen.
- Shareholders' equity:** Increased 1.3 billion yen from the end of the previous year to **129.7 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)

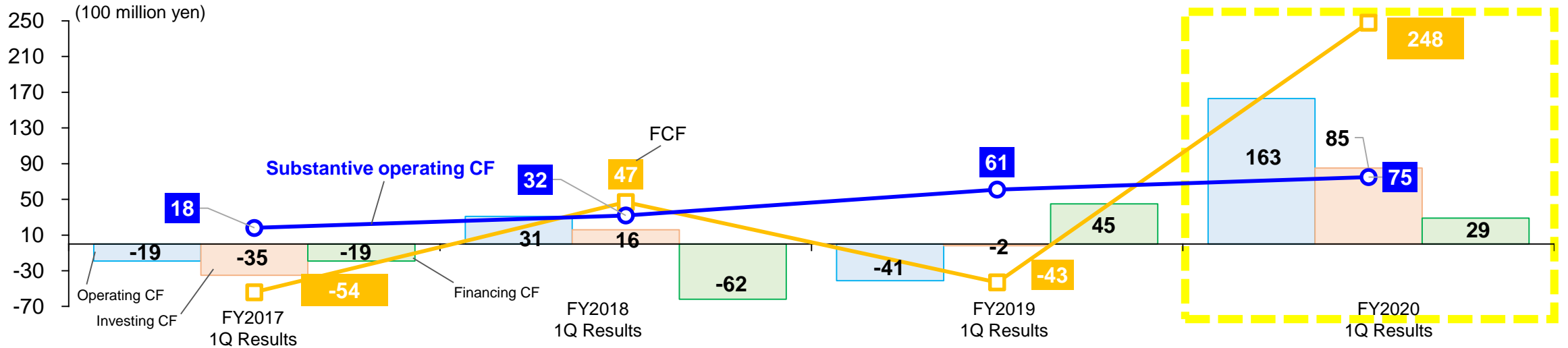
	End of March 2020 Results	End of June 2020 Results	Changes
Total assets	3,877	3,817	-60
Net interest-bearing debt	59	-127	-186
Shareholders' equity	1,283	1,297	+13
Ratio of shareholders' equity to net assets	33.1%	34.0%	+0.9pt
Net DER	0.05	-0.10	-0.14

(100 million yen)



Cash Flows

Both operating CF and substantive CF increased year on year.



Cash Flows

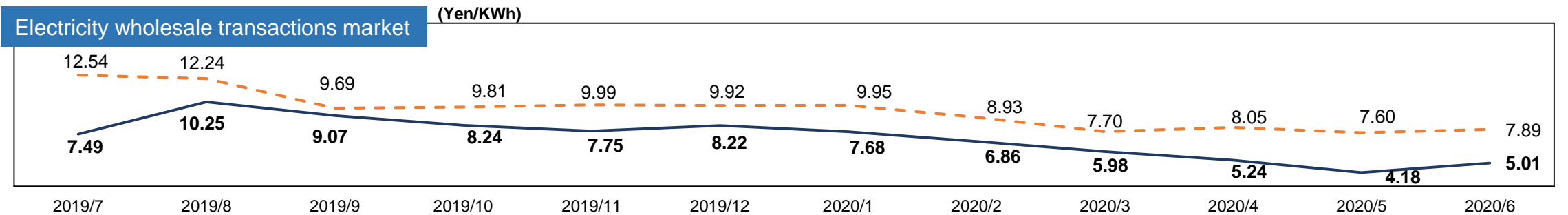
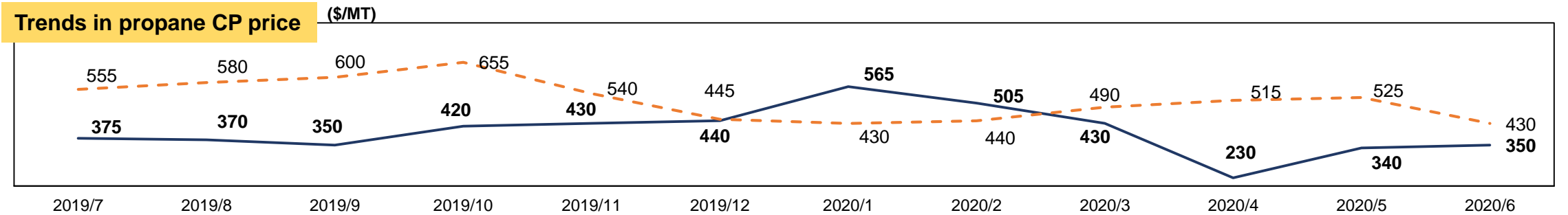
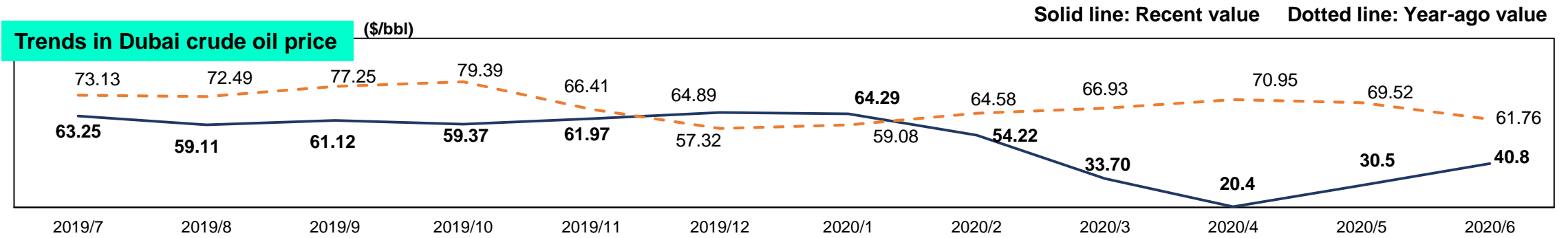
	FY2017 1Q Results	FY2018 1Q Results	FY2019 1Q Results	FY2020 1Q Results
Cash flows from operating activities	-19	31	-41	163
Cash flows from investing activities	-35	16	- 2	85
(Free cash flows)	-54	47	-43	248
Cash flows from financing activities	-19	-62	45	29

Substantive cash flows

Substantive operating cash flows (*)	18	32	61	75
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(*) Operating CF – Increase/decrease in working capital

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 Three Months of FY2020

(2) Overview by Segment

Results by Segment

(100 million yen)

		FY2019 1Q Results	FY2020 1Q Results	Changes	Rate of change %	FY2020 Plan	Achievement rate
Company-wide	Net sales	2,202	1,482	-720	-32.7	7,100	21%
	Operating profit	43	44	+1	+3.1	160	28%
	Net profit	27	36	+9	+32.4	110	33%
Home-Life	Net sales	198	158	-41	-20.1	—	—
	Operating profit	6	1	-5	-89.7	—	—
	Net profit	5	2	-3	-65.5	26	7%
Car-Life	Net sales	1,261	819	-442	-35.0	—	—
	Operating profit	19	9	-10	-52.8	—	—
	Net profit	10	6	-4	-39.2	28	22%
Industrial Business	Net sales	500	323	-178	-35.5	—	—
	Operating profit	3	17	+15	+575.8	—	—
	Net profit	2	15	+13	+705.8	24	63%
Power & Utility	Net sales	243	183	-60	-24.8	—	—
	Operating profit	14	15	+1	+8.9	—	—
	Net profit	9	11	+2	+24.1	35	32%

Home-Life

Profit decreased reflecting the effect of inventories due to declining LP gas import prices, a decrease in sales the volumes of LP gas and industrial gas.

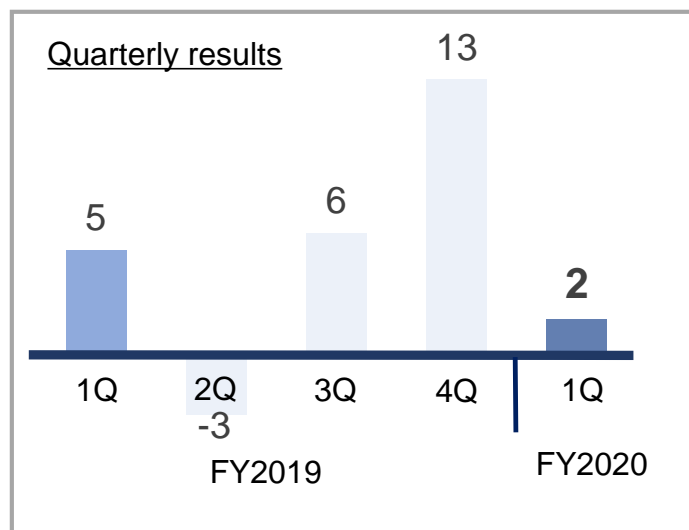


(100 million yen)

	FY2019 1Q Results	FY2020 1Q Results	Changes
Gross profit	53	46	-6
Selling, general and administrative expenses	-48	-46	+2
Operating profit	6	1	-5
Share of profit (loss) of investments accounted for using the equity method	3	2	-1
Net profit	5	2	-3

Major factors for increase/decrease (Net profit)
The number of customers under direct contracts slightly decreased to 550,000. For LP gas sales volume, LP gas for household use increased due to demand driven by those refraining from going out. However, demand for gas for business, industrial and automobile use declined due to declining operating rates at factories. Overall, it fell year on year. Profit decreased reflecting the effect of inventories due to a fall in import prices of LP gas and decreases in sales volumes of LP gas and industrial gas.

FY2020 Plan	Achievement rate
26	7%



Profit (loss) of major affiliates	FY2019 1Q Results	FY2020 1Q Results	Changes
ITOCHU ENEX HOME-LIFE NISHI-NIHON	2	2	-0
ECORE (The Company's equity 51%)	2	1	-1
ENEARC (The Company's equity 50%)	3	2	-1

Number of customers (1,000)	End of March 2020	End of June 2020	Changes
Number of customers under direct LP gas supply contracts	551	550	-1
Number of customers for electricity retail	93	96	+3

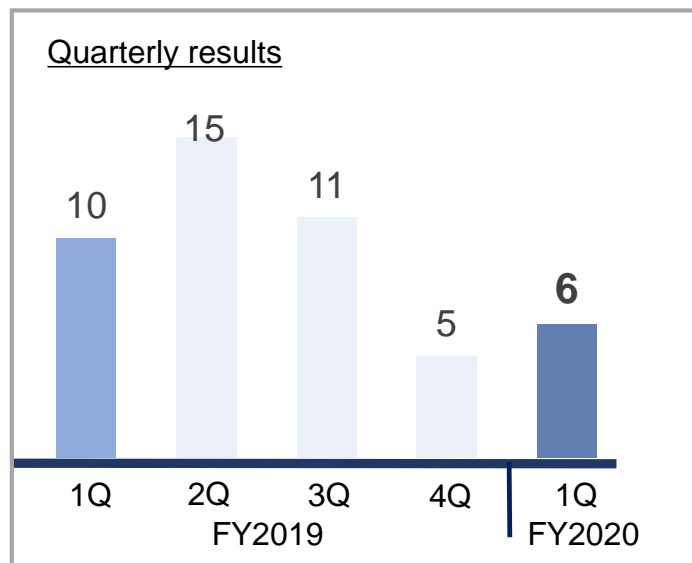
Sales volumes	FY2019 1Q Results	FY2020 1Q Results	Changes
LP gas (thousand tons)	120	108	-10%
Industrial gas (million m ³ & thousand tons)	19	16	-16%

Car-Life

Profit decreased because the COVID-19 coronavirus pandemic strongly impacted the car dealer business and the number of vehicles sold declined.



	FY2019 1Q Results	FY2020 1Q Results	Changes	Major factors for increase/decrease (Net profit)	(100 million yen)	
					FY2020 Plan	Achievement rate
Gross profit	113	104	-9	The Sales volume of oil products fell short of its level in the previous year. In addition, the number of new cars sold substantially fell year on year due to shortened business hours at dealers associated with measures to address the COVID-19 pandemic. Profit decreased due to a decline in the sales volume of oil products and decreases in the number of cars sold and service revenue in the car dealer business.		
Selling, general and administrative expenses	-95	-94	+1			
Operating profit	19	9	-10			
Share of profit (loss) of investments accounted for using the equity method	0	0	-0			
Net profit	10	6	-4			28



Profit (loss) of major affiliates

	FY2019 1Q Results	FY2020 1Q Results	Changes
ENEX FLEET	3	6	+3
Osaka Car Life Group (The Company's equity 51.95%)	2	-1	-3

Sales volumes

	FY2019 1Q Results	FY2020 1Q Results	Changes
Gasoline (thousand KL)	469	377	-20%
Kerosene (thousand KL)	54	57	+6%
Diesel oil (thousand KL)	495	470	-5%
New cars (thousand units)	6	5	-24%
Used cars (thousand units)	6	5	-20%

Industrial Business

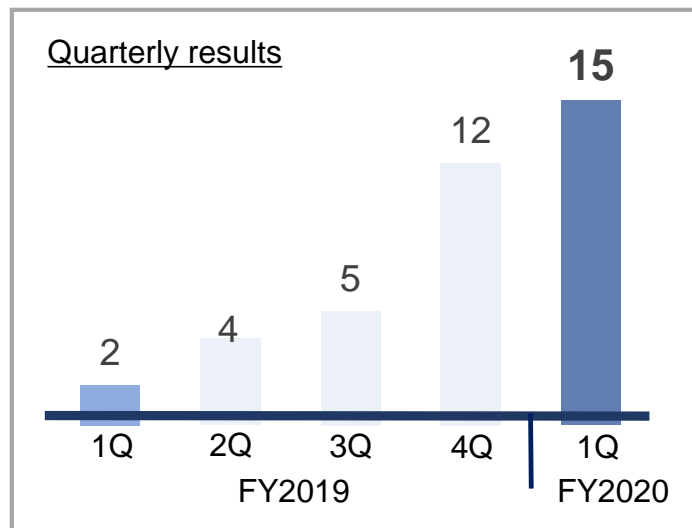
Profit increased substantially due to export/import operations for oil products and a reduction in expenses.



	FY2019 1Q Results	FY2020 1Q Results	Changes	(100 million yen)	
				FY2020 Plan	Achievement rate
Gross profit	14	27	+13		
Selling, general and administrative expenses	-12	-10	+2		
Operating profit	3	17	+15		
Share of profit (loss) of investments accounted for using the equity method	0	0	-0		
Net profit	2	15	+13	24	63%

Major factors for increase/decrease (Net profit)

For oil products for industrial use and fuel cards for cars, sales volume declined year on year due to a declining operating rate at factories and a decrease in the use of cards for company vehicles. Meanwhile, the sales volumes of asphalt and marine fuel rose. Profit substantially rose thanks to operations which understood changing crude oil prices in the exports/imports of oil products, and a reduction in operating expenses.



Sales volumes

	FY2019 1Q Results	FY2020 1Q Results	Changes
Gasoline (thousand KL)	241	176	-27%
Kerosene (thousand KL)	142	75	-47%
Diesel oil (thousand KL)	280	266	-5%
Heavy fuel oil (thousand KL)	484	539	+11%
Asphalt (thousand tons)	70	72	+2%

Power & Utility

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

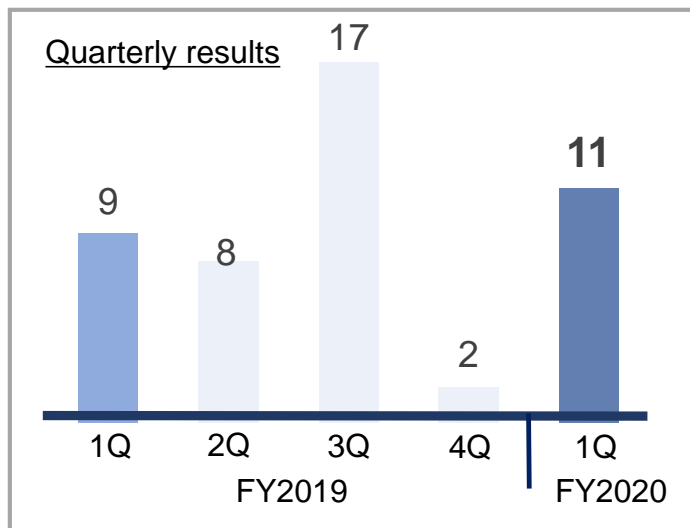


(100 million yen)

	FY2019 1Q Results	FY2020 1Q Results	Changes
Gross profit	26	26	-0
Selling, general and administrative expenses	-12	-12	+0
Operating profit	14	15	+1
Share of profit (loss) of investments accounted for using the equity method	3	3	-0
Net profit	9	11	+2

Major factors for increase/decrease (Net profit)
Electricity retail sales increased because the consumption volume of power for household use rose due to demand from those refraining from leaving home. Moreover, low-voltage power sales volume increased due to a rise in the number of low-voltage power contracts, mainly for household use. However, sales volume fell year on year reflecting a big fall in large high-voltage power contracts for corporate use. Profit rose due to the completion of large, regular repair work conducted in the last fiscal year in the power generation area and a rising operation rate in the current fiscal year.

FY2020 Plan	Achievement rate
35	32%



Profit (loss) of major affiliates	FY2019 1Q Results	FY2020 1Q Results	Changes
ENEX Electric Power Group	0	5	+4
ENEX LIFE SERVICE	1	1	+0
Tokyo Toshi Service Company (The Company's equity 66.6%)	2	3	+1
Oji-Itochu Enex power retailing Co., Ltd. (The Company's equity 60.0%)	2	2	+0

Sales volumes	FY2019 1Q Results	FY2020 1Q Results	Changes
Electricity Retail (GWh)*	577	509	-12%
Breakdown: Sales of high voltages*	486	384	-21%
Sales of low voltages*	92	125	+37%
Steam (thousand tons)	150	125	-16%
Heat quantity (TJ)	256	237	-7%

(* Calculated based on preliminary values)

Appendix

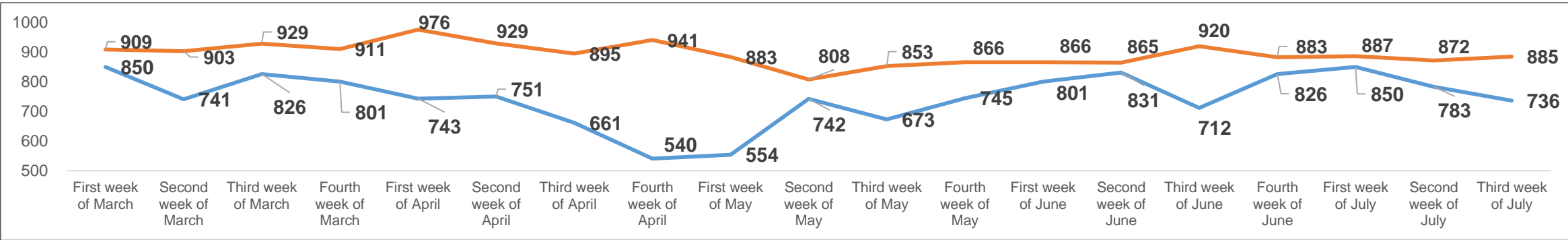
Appendix

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

* Created based on statistics from Petroleum Association of Japan

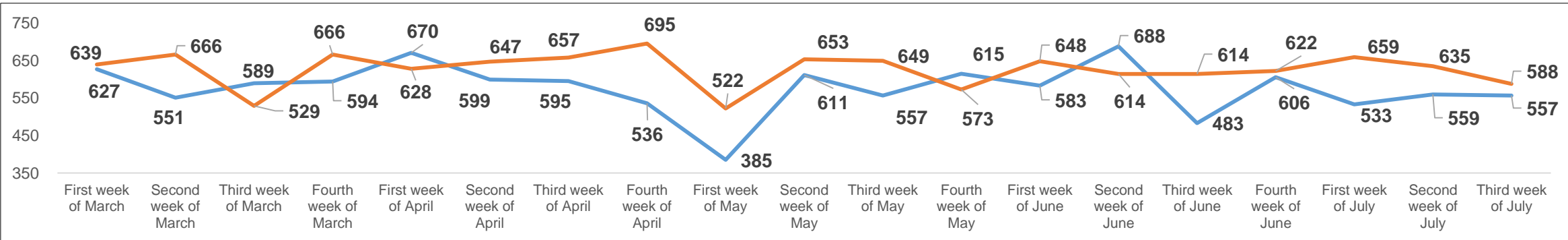
Weekly shipment volume of gasoline

Unit: Thousand kiloliters



Weekly shipment volume of diesel oil

Unit: Thousand kiloliters



[Reference] Sales volume of LP gas and new cars (national statistics)

Monthly sales volume of LP gas (propane) (January to May) Unit: Thousand tons

	January			February			March			April			May		
	2019	2020	Changes	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%	562	513	-9%
For cars	5	5	-8%	5	4	-6%	5	4	-10%	4	3	-30%	4	2	-42%

* Created based on statistics from Japan LP Gas Association

Monthly sales of new cars (standard-sized cars and compact cars) (January to May) Unit: Thousand units

January			February			March			April			May			June		
2019	2020	Changes	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%	248	182	-27%

* Created based on statistics from Japan Automobile Dealers Association

Contact

Corporate Communications Office

Staff : Kunisada、Imaizumi、Wada

[E-MAIL]enex_irpr@itcenex.com

[TEL]+81-3-4233-8003 [FAX]+ 81-3-4533-0102