

FY2018 Financial Results

Revised, 14th June, 2019



ITOCHU ENEX CO., LTD.

(TSE first section, 8133)

Contents

- I. Overview of Consolidated Financial Results for FY2018
- II. Segment Information
- III. ESG Initiatives

- 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”

I. Overview of Consolidated Financial Results for FY2018



Business Environment

1. The Japanese economy remained on a moderate recovery trend, driven mainly by strong corporate earnings.
2. The crude oil market remained on an upward trend due to the coordinated production cut of OPEC and the uncertain situation in the Middle East.
3. A series of disasters occurred (northern Osaka earthquake, Hokkaido Eastern Iburi earthquake, heavy rains in western Japan, etc.).
4. Effects of severe heat and warm winter due to global warming



Basic policies of the medium-term business plan (FY2017 - FY2018)	
Rebuilding the revenue base	Redeveloping the organizational base
Optimizing resources Improving profitability Developing the customer base	Reinforcing organization strength Nurturing autonomous human resources Promoting ENEX EARLY BIRD

Summary of Financial Results for FY2018

Net profit marked a record high for the fourth consecutive year.

(100 million yen)	FY2017 Results	FY2018 Results	Changes	FY2018 Full-year plan	Achievement rate
Net sales	11,563	12,443	+879	12,500	99.5%
Gross profit	888	842	-46		
Selling, general and administrative expenses	-709	-673	+36		
Operating profit	172	179	+7	187	95.7%
Share of profit (loss) of investments accounted for using the equity method	5	16	+11		
Net profit	110	116	+5	113	102.7%
Dividends (yen/share)	40	42	+2	40	—
ROE (%)	9.8	9.7	-0.1	9% or more	
EPS (yen/share)	97.6	102.4	+4.8		

- ❑ **Net profit increased ¥500 million, or 3%, year on year, marking a record high** for the fourth consecutive year. The Life & Industrial Energy Division, the core business of the Company, grew year on year and drove the business performance, despite a series of disasters and the effects of the severe heat and warm winter.
- ❑ **The ratio of SG&A expenses to gross profit was 79.9%**, suggesting that expenses were properly controlled.

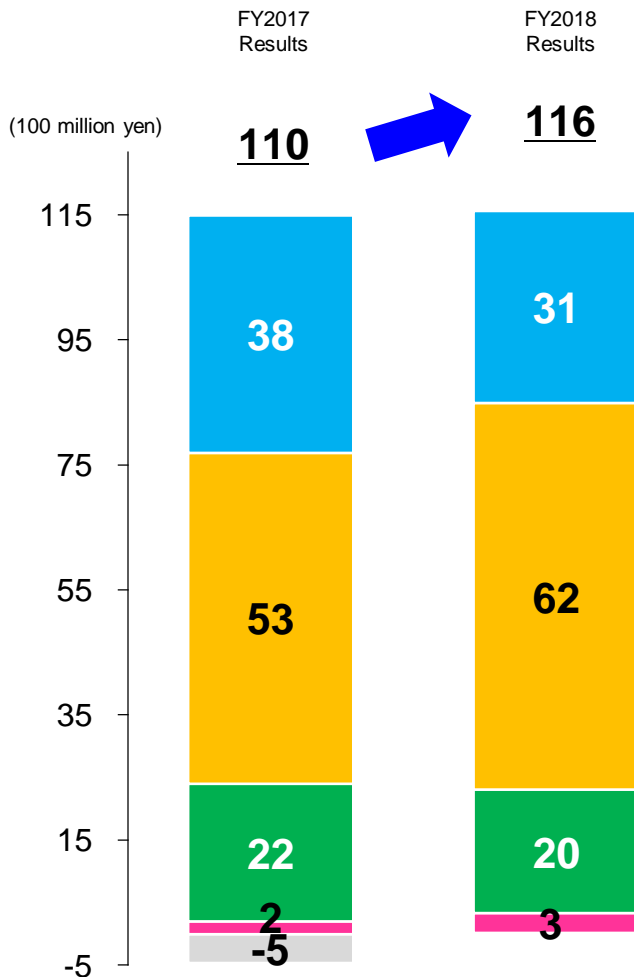
Share of profit (loss) of investments accounted for using the equity method improved, partly due to the effect of restructuring the LP gas business.

(100 million yen)

	FY2018 Results	Changes	Division	Major factors for increase/decrease
Gross profit	842	-46	<ul style="list-style-type: none"> Home-Life Life & Industrial Energy Power & Utility Mobility Life 	<ul style="list-style-type: none"> -27: The effect of restructuring the LP gas retail business -7: Declines in sales volumes and supply and demand of asphalt -18: Fall in the margin of electricity sales +6: Strong new car sales (Leaf, Note, Serena)
Selling, general and administrative expenses	-673	+36	<ul style="list-style-type: none"> Home-Life Life & Industrial Energy Power & Utility Mobility Life 	<ul style="list-style-type: none"> +31: The effect of restructuring the LP gas retail business +9: Closure of CS and fall in personnel expenses -3: Increase in expenses associated with a rise in transactions of low voltage power +3: Fall in personnel expenses
Operating profit	179	+7	<ul style="list-style-type: none"> Home-Life Life & Industrial Energy Power & Utility Mobility Life 	<ul style="list-style-type: none"> +4: The effect of restructuring the LP gas retail business +12: Reaction to impairment losses of fixed assets in the previous fiscal year -19: Fall in the margin of electricity sales +3: Increase in gross margins of new cars
Share of profit (loss) of investments accounted for using the equity method	16	+11	<ul style="list-style-type: none"> Home-Life Life & Industrial Energy Power & Utility Mobility Life 	<ul style="list-style-type: none"> +7: Effect of impairment losses in the previous fiscal year associated with restructuring —: +4: Increase in revenue at the destinations of investments accounted for using the equity method —:

Net Profit by Segment

The oil business overcame repeated disasters to drive business performance.



Major factors for increase/decrease

Home-Life (YoY: -¥700 million, Achievement rate of the plan: 101%)

Extraordinary income (losses) was ¥1.1 billion due to restructuring conducted in the second half of the previous fiscal year. The plan was achieved thanks to the strong performance of the industrial gas business and the container inspection business, as well as an improvement in the share of profit (loss) of investments accounted for using the equity method, despite a decline in the sales volume of LP gas due to the warm winter.

Life & Industrial Energy (YoY: +¥900 million, Achievement rate of the plan: 116%)

Business performance remained firm due to the effect of structural reforms implemented in prior years and the strengthening of retail services including ENEX FLEET. Profit increased, partly due to a reaction to impairment losses of fixed assets in the previous fiscal year.

Power & Utility (YoY: -¥200 million, Achievement rate of the plan: 70%)

While profit declined in retail due to fluctuations in the wholesale market affected by severe heat and the Hokkaido earthquake and intensified price competition, the decline was recovered primarily by gains on properties incorporated associated with the listing of an infrastructure fund.

Mobility Life (YoY: +¥100 million, Achievement rate of the plan: 532%)

In the car dealer business, sales remained strong despite damage caused by disasters such as earthquakes and typhoons. In particular, sales of new cars such as Leaf, Serena and Note were strong.

Other (YoY: +¥500 million, Achievement rate of the plan: -%)

In the previous fiscal year, expenses associated with the relocation of the head offices were posted.

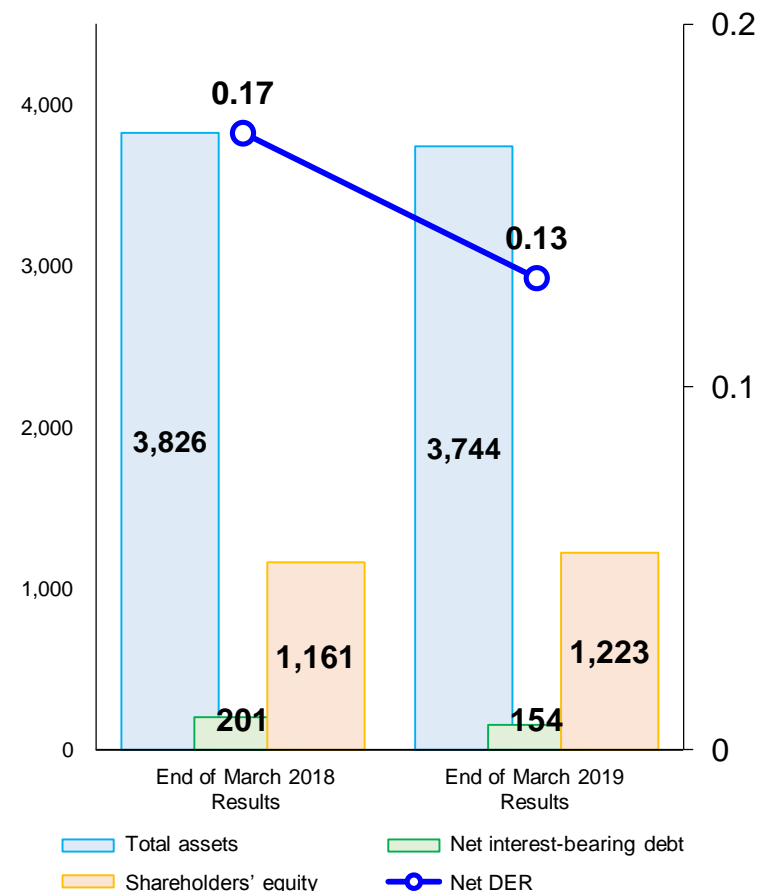
Financial Position

The financial position became stronger, and the establishment of a foothold for the next leap forward was completed.



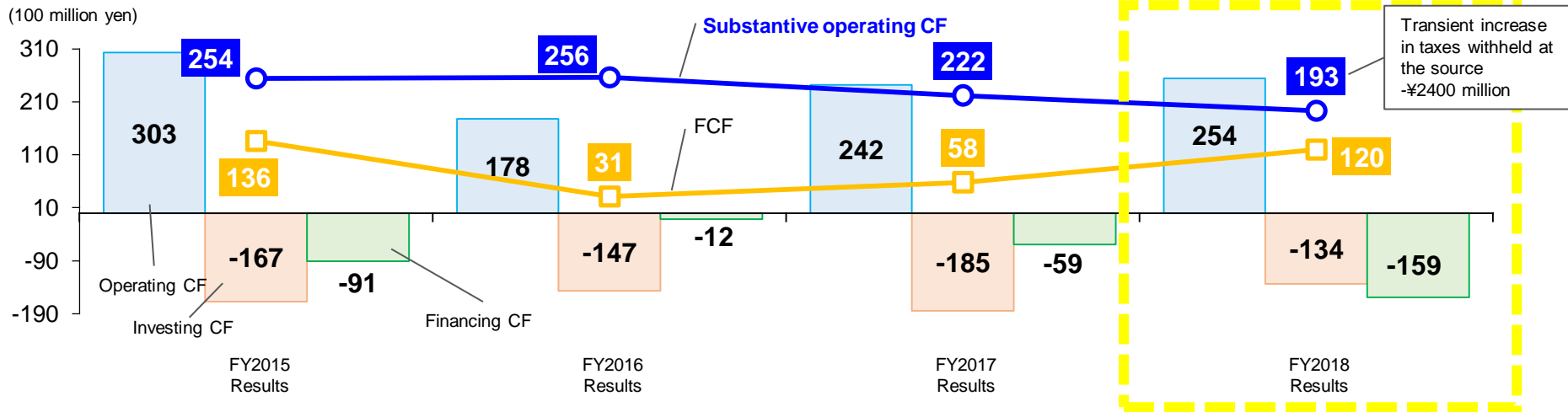
- **Total assets:** Declined ¥8.2 billion from the end of the previous fiscal year, to **¥374.4 billion**, due to a fall in trade receivables.
- **Shareholders' equity:** Increased ¥6.2 billion from the end of the previous fiscal year, to **¥122.3 billion**, due to the accumulation of net profit despite the payment of dividends.
- **Net DER:** Improved due to a decline in interest-bearing debt.

	End of March 2018 Results	End of March 2019 Results	Changes
	(100 million yen)		
Total assets	3,826	3,744	-82
Net interest-bearing debt	201	154	-47
Shareholders' equity	1,161	1,223	+62
Ratio of shareholders' equity to net assets	30.3%	32.7%	+2.4pt
Net DER	0.17	0.13	Improved 0.04



Cash Flows

Substantive operating CF remained unchanged from the previous year, excluding transient factors.

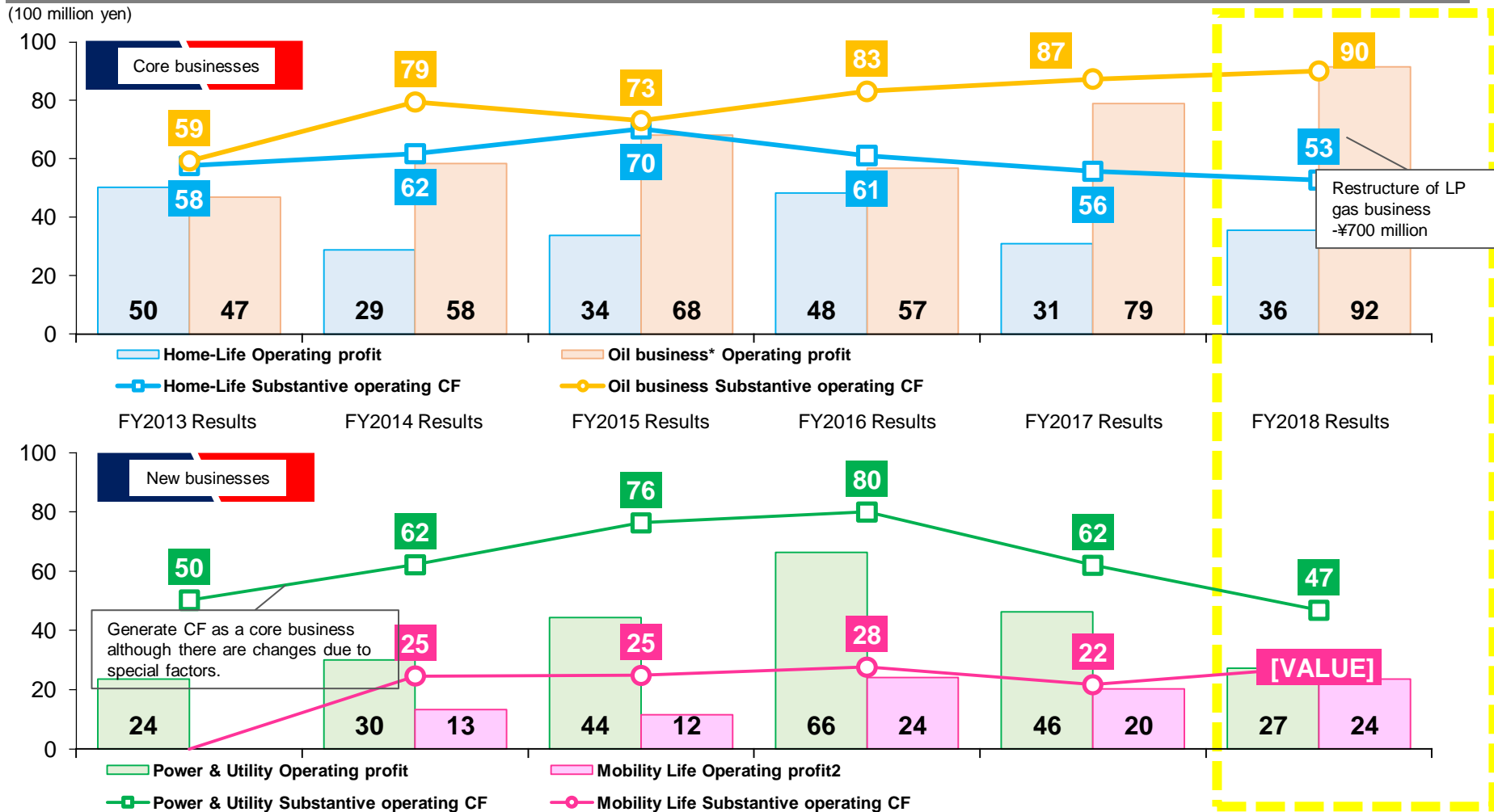


Cash Flows	FY2015 Results	FY2016 Results	FY2017 Results	FY2018 Results
Cash flows from operating activities	303	178	242	254
Cash flows from investing activities	-167	-147	-185	-134
(Free cash flows)	136	31	58	120
Cash flows from financing activities	-91	-12	-59	-159
Substantive cash flows				
Substantive operating cash flows (*)	254	256	222	193

(*) Operating CF – Increase/decrease in working capital

(Reference) Substantive Operating CF by Segment

Generated stable cash flows with core businesses

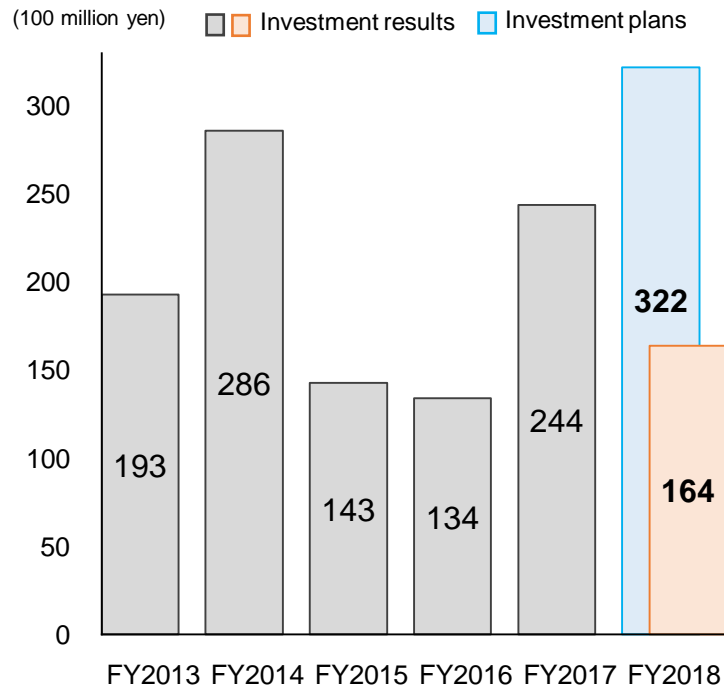


(*) Car Life, Energy Trade, Energy Innovation, Life Energy & Logistics, Industrial Energy & Logistics, and Life & Industrial Energy

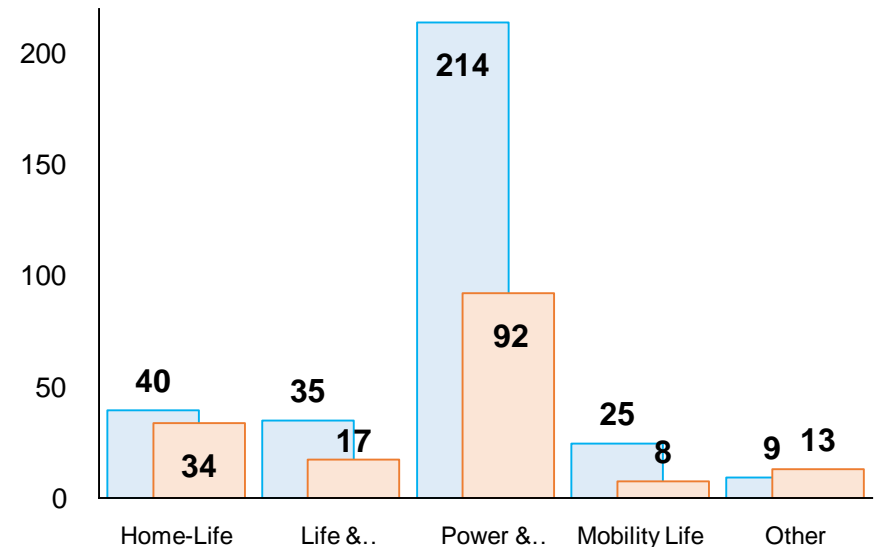
Investment Trends

The investment amount declined due to changes in the content of scheduled development projects.

Company-wide



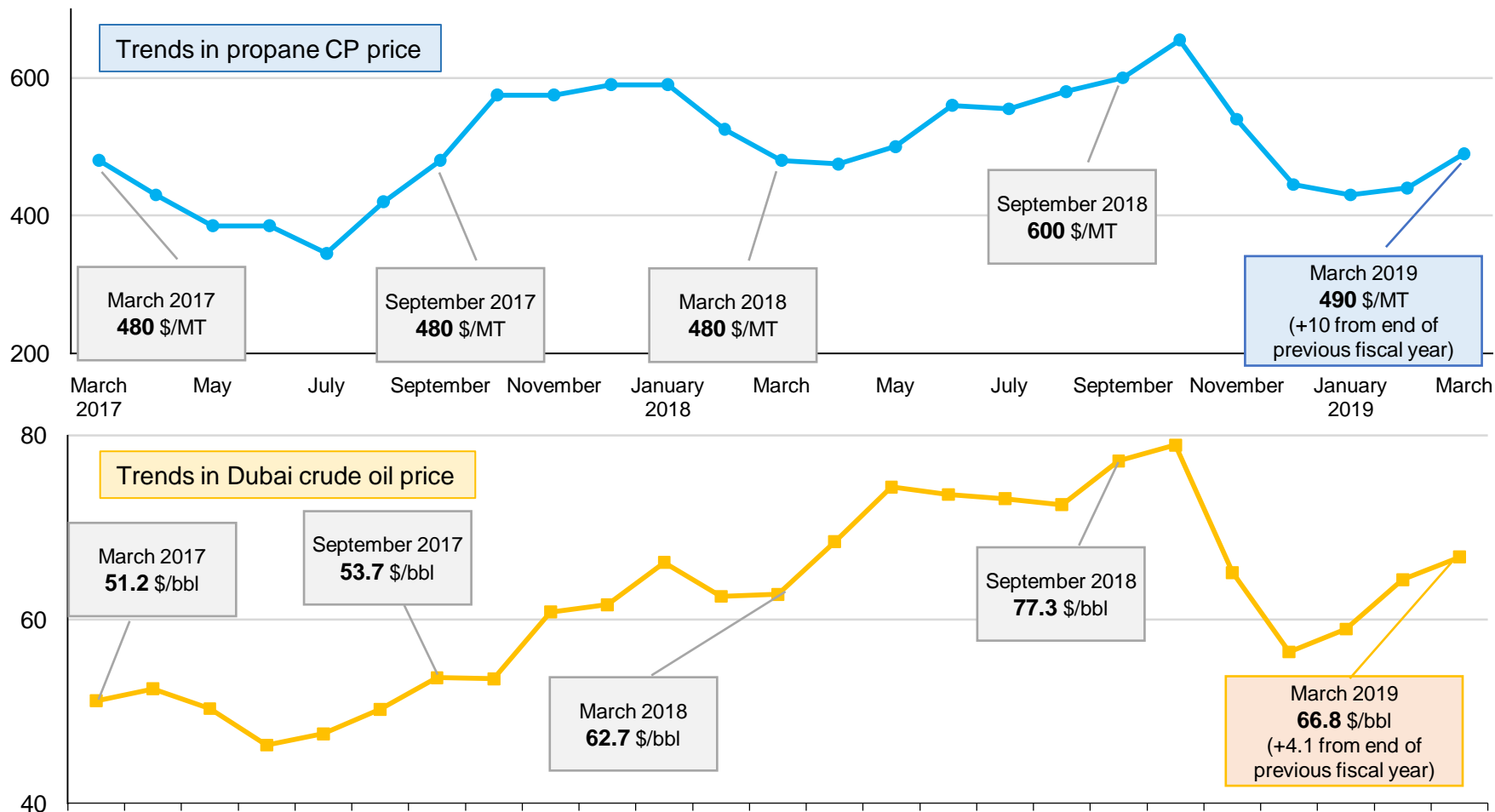
By segment in FY2018



Major investment results

Home-Life	Investment in plant and equipment, acquisition of business rights, etc.
Life & Industrial Energy	Investment in plant and equipment, repair of AS bases, etc.
Power & Utility	Investment in plant and equipment, PV investment, etc.
Mobility Life	Construction of new stores, investment in plant and equipment, etc.
Other	Investment in plant and equipment, etc.

Crude oil prices are uncertain due to the situation in Iran and deteriorated relations between the United States and China.



II. Segment Information



Results by Segment

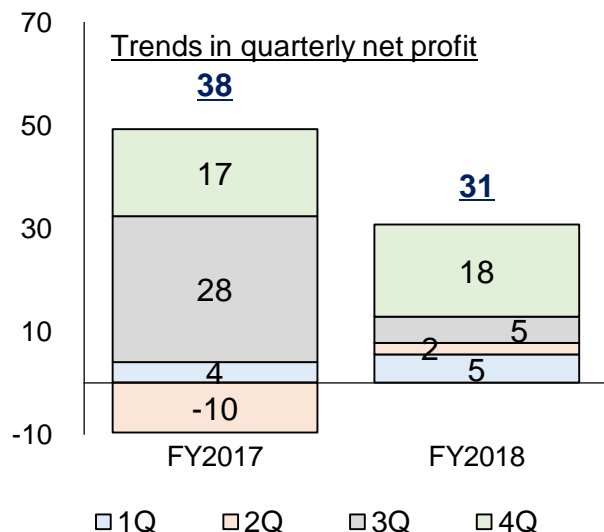
(100 million yen)

		FY2017 Results	FY2018 Results	Changes	Rate of change %	FY2018 Plan	Achievement rate
Company-wide	Net sales	11,563	12,443	+879	+7.6	12,500	100%
	Operating profit	172	179	+7	+4.1	187	95%
	Net profit	110	116	+5	+4.8	113	102%
Home-Life	Net sales	1,092	1,051	-40	-3.7	1,150	91%
	Operating profit	31	36	+4	+13.8	37	95%
	Net profit	38	31	-7	-19.2	30	101%
Life & Industrial Energy	Net sales	8,633	9,318	+685	+7.9	9,444	99%
	Operating profit	79	92	+12	+15.3	78	118%
	Net profit	53	62	+9	+17.0	53	116%
Power & Utility	Net sales	786	969	+184	+23.4	848	114%
	Operating profit	46	27	-19	-41.0	64	43%
	Net profit	22	20	-2	-10.9	28	70%
Mobility Life	Net sales	1,053	1,104	51	+4.8	989	112%
	Operating profit	20	24	+3	+15.6	9	262%
	Net profit	2	3	+1	+63.6	1	532%

The number of customers under direct contracts increased 4,000, to 551,000.

(100 million yen)

	FY2017 Results	FY2018 Results	Changes	Major factors for increase/decrease (Net profit)	FY2018 Full-year plan	Achievement rate
Gross profit	251	224	-27	Gross profit and SG&A expenses decreased due to the change of some consolidated subsidiaries to equity-method affiliates as a result of business restructuring. While profit declined due to the backlash to transient gains on business restructuring in the same period of the previous year, the share of profit (loss) of investments accounted for using the equity method increased due to the effect of restructuring.	37	95%
Selling, general and administrative expenses	-220	-189	+31			
Operating profit	31	36	+4			
Share of profit (loss) of investments accounted for using the equity method	5	13	+7			
Net profit	38	31	-7			



Profit (loss) of major affiliates

	FY2017 Results	FY2018 Results	Changes
ITOCHU ENEX HOME-LIFE NISHI-NIHON	10	9	-1
ECORE (The Company's equity 51%)	8	7	-1
ITOCHU INDUSTRIAL GAS	3	3	+1
ENEARC (The Company's equity 50%)	5	7	+2

Number of customers (1,000)

	End of March 2018	March 2018	Changes
Number of customers under direct LP gas supply contracts	546	551	+4
Number of customers for electricity retail	54	81	+28

“Business development in a new era”: Implemented earning style reforms

<u>Sales volumes</u>	FY2017 Results	FY2018 Results	Changes
LP gas (thousand tons)	587	548	-6%
Industrial gas (million m ³ tons)	81	80	-2%
Number of gas containers that processed pressure resistance (thousand containers)	323	332	+3%

Efforts during the period

Preparation for the expansion of the customer base and earning style reforms

- The number of LPG retail customers and the number of electricity customers exceeded 550,000 (+4,000) and 80,000 (+28,000), respectively.
- Bussan Sekiyu Home-Life Iwate Co., Ltd. conducted a verification test of LPWA*.

Steady growth in the BtoB area

- In ITOCHU INDUSTRIAL GAS, sales of carbon dioxide gas and hydrogen were strong (+4% and +3% year on year).
- In J-Cylinder Service Co., Ltd., orders for high pressure resistance inspection were strong, and profitability also made an upturn.

Further expansion of overseas businesses

- In the Philippines, revenue expanded steadily, and the dissemination of new products and new systems was promoted.
- In Indonesia, a sales license for new types of gas was obtained.

Consolidation and restructuring of Group companies

- Consolidation with ITOCHU ENEX HOME-LIFE HOKKAIDO in October 2018
- Preparation for consolidation with ITOCHU ENEX HOME-LIFE SHIKOKU to be established in April 2019

* LPWA: Low Power Wide Area. Communication method for achieving long-distance telecommunication with reduced power consumption.

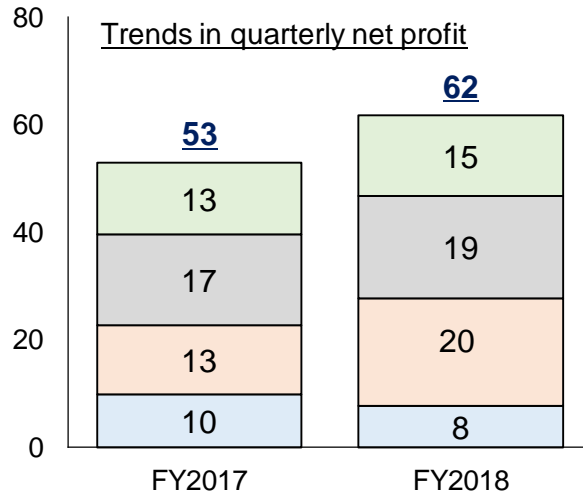
Life & Industrial Energy Division

Retail remained steady, particularly in ENEX FLEET.

(100 million yen)

	FY2017 Results	FY2018 Results	Changes	Major factors for increase/decrease (Net profit)	FY2018 Full-year plan	Achievement rate
Gross profit	368	361	-7	Profitability improved, mainly due to the reduction of expenses as a result of structural reforms including withdrawal of unprofitable CS(*). In ENEX FLEET, sales volumes remained firm due to the strengthening of services, and profit increased in reaction to transient losses in the previous year.	78	118%
Selling, general and administrative expenses	-286	-278	+9			
Operating profit	79	92	+12			
Share of profit (loss) of investments accounted for using the equity method	1	1	+0			
Net profit	53	62	+9			

* CS: Stands for car life station, which is a multi-service station offered by the Company.



Profit (loss) of major affiliates

	FY2017 Results	FY2018 Results	Changes
ENEX FLEET	9	12	+3
KOKURA ENTERPRISE ENERGY	4	2	-2
ENEXAUTO	-4	-0	+3

Strengthened services through CS bases and the promotion of environmental business.

Sales volumes	FY2017 Results	FY2018 Results	Changes
Gasoline (thousand KL)	3,304	3,178	-4%
Kerosene (thousand KL)	1,344	1,215	-10%
Diesel oil (thousand KL)	3,391	3,488	+3%

Sales volumes	FY2017 Results	FY2018 Results	Changes
Heavy fuel oil (thousand KL)	2,777	2,267	-18%
Asphalt (thousand tons)	376	357	-5%

Efforts during the period

- Proposed and supplied multiple products including fuel oil in order to strengthen the affiliated CS network.
 - Expanded sales of AdBlue, FC cards and electricity retail by utilizing the affiliated CS network.
- ENEX FLEET, a CS retail sales company, increased sales of diesel oil through effective sales promotion.
 - Steadily expanded the customer base through services to customers from the drivers' perspective and the holding of events.
- Expanded the sales share of AdBlue.
 - The share of the sales volume was 28%, gaining the top position in Japan.
- Strengthened sales of products to reduce the environmental burden, such as GTL*, slops, recycled oil and recycled fly ash products.
- Promoted the effective utilization of the company-owned distribution assets (the construction of a new caustic soda tank).

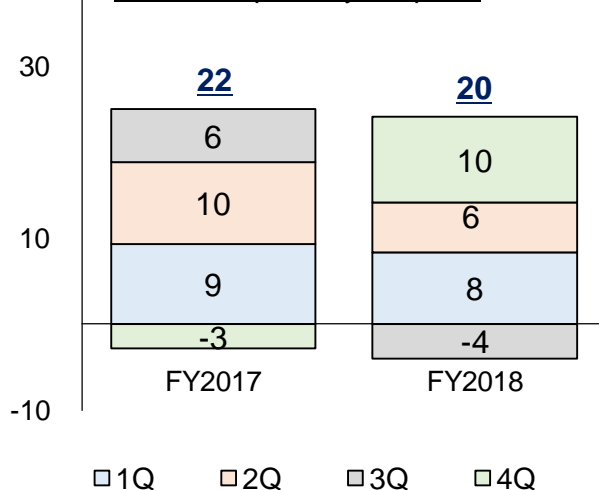
* GTL: Gas to Liquids, which is liquid fuel manufactured from natural gases.

Focused on shifting customers from high voltage to low voltage.

(100 million yen)

	FY2017 Results	FY2018 Results	Changes	Major factors for increase/decrease (Net profit)	FY2018 Full-year plan	Achievement rate
Gross profit	89	71	-18	While the retail electricity sales volume exceeded the year-ago level, profit declined due to fluctuations in the wholesale market affected by the Hokkaido earthquake and the severe heat, as well as intensified price competition. The Division held on due to the incorporation of properties associated with the listing of an infrastructure fund.	64	43%
Selling, general and administrative expenses	-43	-47	-3			
Operating profit	46	27	-19			
Share of profit (loss) of investments accounted for using the equity method	-2	2	+4			
Net profit	22	20	-2			

Trends in quarterly net profit



Profit (loss) of major affiliates

	FY2017 Results	FY2018 Results	Changes
ENEX Electric Power	3	10	+7
ENEX LIFE SERVICE	0	2	+2

Power & Utility Division

The retail electricity sales volume was 109% of the year-ago level.

Sales volumes	FY2017 Results	FY2018 Results	Changes
Electricity *Retail (GWh)	2,467	2,694	+9%
Steam (thousand tons)	675	611	-9%
Heat quantity (TJ)	1,303	1,315	+1%

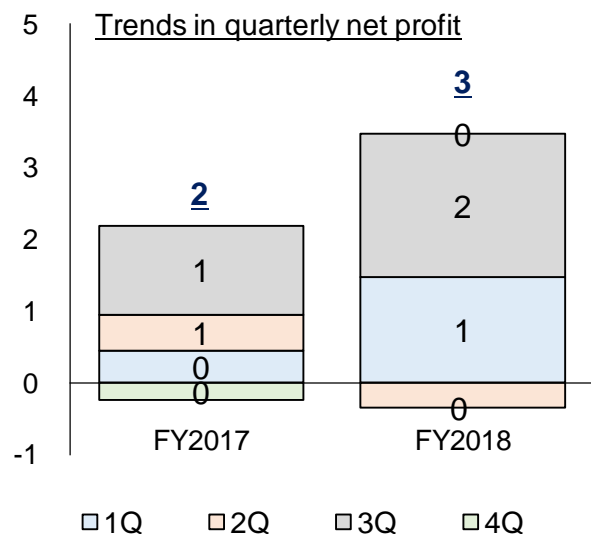
Efforts during the period

- Expanded the BtoBtoC field of electricity sales in collaboration with different industries.
 - Strengthened retail sales in partnership with business operators with a strong customer base in a certain region.
- JR Hachioji Station-Front Redevelopment/Base for Industrial Exchange decided to join heat supply as a new customer.
 - Expanded the supply area by expanding the existing facilities.
- Investment units of ENEX INFRASTRUCTURE INVESTMENT CORPORATION were listed on the Infrastructure Fund Market of the Tokyo Stock Exchange (see page 23).
 - As an initiative for the financial business, Enex Asset Management, a consolidated subsidiary, is entrusted with management, and the Company participates as the sponsor.
- Invested and participated in the biomass power generation business promoted by the Oji Group.
 - Agreed with Oji Holdings on operating the power generation business by constructing a biomass power station in Anan-shi, Tokushima.
- Commenced the large-scale repair work of hydroelectric power equipment.
 - On May 22, 2018, embarked on the repair of the hydroelectric power equipment of Joetsu Energy Service, an affiliate of ENEX Electric Power, a consolidated subsidiary.

Despite disasters, car sales were strong thanks to the thorough service provided to customers.

(100 million yen)

	FY2017 Results	FY2018 Results	Changes	Major factors for increase/decrease (Net profit)	FY2018 Full-year plan	Achievement rate	
Gross profit	180	186	+6	In the car dealer business, profit increased because sales remained firm centered on Leaf, Note and Serena, despite damage caused by disasters such as earthquakes and typhoons.			
Selling, general and administrative expenses	-163	-160	+3				
Operating profit	20	24	+3			9	262%
Share of profit (loss) of investments accounted for using the equity method	0	0	0				
Net profit	2	3	+1			1	532%



Profit (loss) of major affiliates

	FY2017 Results	FY2018 Results	Changes
Osaka Car Life Group (The Company's equity 51.95%)	8	9	+1

Expansion of operating foundation utilizing next-generation new technologies

Sales volumes	FY2017 Results	FY2018 Results	Changes
New cars (thousand units)	29	30	+3%
Used cars (thousand units)	25	25	+1%

Efforts during the period

Commenced car sharing

- Nissan Osaka Sales commenced car sharing at 14 stores in the Osaka area by introducing e-share mobi*1.

Conducted the verification of VtoH*3 in cooperation with ZEH*2 home builders.

- Designed sales of Nissan Leaf to home buyers as a “passenger car + storage cell.”

Biofuel project

- Development of a procurement system of feedstock to a biofuel demonstration plant of euglena Co., Ltd.

*1 e-share mobi: The car sharing model of Nissan Motor

*2 ZEH: Net Zero Energy House, which is a house that aims to reduce the net annual energy consumption from primary sources to zero by introducing renewable energy after achieving significant energy savings while maintaining the quality of the indoor environment by introducing highly efficient equipment and systems as well as significantly improving the heat insulation properties of the external skin (Source: Agency for Natural Resources and Energy).

*3 VtoH: Vehicle to Home, which refers to technologies and systems for mutually supplying electricity between a vehicle and a house.

III. ESG Initiatives



ESG Initiatives

Environmental Efforts (Environment)

Based on our corporate philosophy “The Best Partner for Life and Society,” we are working on continuous activities to conserve and improve the environment to achieve a better global environment and our coexistence with society.

Japan’s first demonstration plant of bio-jet diesel fuel was completed.



On October 31, 2018, a demonstration plant to manufacture bio-jet diesel fuel, the construction of which had been promoted by euglena Co., Ltd., was completed. As a cooperative company of this project, the Company agreed with the GREEN OIL JAPAN declaration and will continue to consider the procurement of biomass feedstock and the use of biomass fuel in the Group.

Investment units of ENEX INFRASTRUCTURE INVESTMENT CORPORATION were listed on the Infrastructure Fund Market of the Tokyo Stock Exchange.



On February 13, 2019, investment units issued by ENEX INFRASTRUCTURE INVESTMENT CORPORATION, which entrusts Enex Asset Management Co., Ltd., a subsidiary, with asset management, were listed on the Infrastructure Fund Market of the Tokyo Stock Exchange. The Company will support the Investment Corporation to realize the solid and efficient operation of facilities from its position as the sponsor.

ESG Initiatives

Social Efforts (Social)

Based on our corporate philosophy “The Best Partner for Life and Society,” we will contribute to society as a good corporate citizen with our business activities. We are conducting activities that will convey a sustainable society into the future, with the creation of an environment and the cultivation of human resources and communities to nurture the next generation as themes.

Storytelling session “Meeting to Enjoy the Power of Words” (Tokyo)



We commenced the storytelling sessions in 2014 for the purpose of cheering for the zest for life of victims of the Great East Japan Earthquake. We hold the sessions nationwide with the aim of not forgetting the disaster and in our wish to develop sensitivity to words in all generations through storytelling. This time, we held the session in Tokyo on January 27.

Holding of “Ultimate Class”



We have been supporting the members of the national ultimate team since 2017 and conducting social contribution activities through ultimate competitions. These activities aim to provide a forum for the children who will be responsible for the next generation to learn about sports and health, as well as fair play and self management in cooperation with the Japan Flying Disc Association.

ESG Initiatives

Governance Efforts (Governance)

We regard corporate governance as an important management issue for increasing our power to earn and enhance corporate value continuously, and we are working to build a highly effective governance system.

Focus on diversity of the Board of Directors



We have informally decided to officially appoint Ms. Motoyo Yamane, a former NHK announcer, as an outside director. This appointment will be officially decided after obtaining approval at an annual shareholders' meeting of the Company to be held on June 19, 2019. It is the first time that a female outside director will be appointed within the Company, and we will obtain advice and opinions on diversity, which we are currently focusing on. We will make efforts to enhance our corporate value by incorporating diverse opinions.

■ 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.

Contact

Corporate Communications Office

Staff : Kunisada、Imaizumi、Wada

[E-MAIL]enex_irpr@itcenex.com

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