

This document is an English translation of quarterly financial results report released on January 31, 2020 and written initially in Japanese.
The Japanese original should be considered as the primary version.



January 31, 2020

Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2020 <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: February 10, 2020

Scheduled date to commence dividend payments: –

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

Holding of quarterly financial results presentation meeting: None

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

1. Consolidated financial results for the first nine months of the fiscal year ending March 31, 2020 (from April 1, 2019 to December 31, 2019)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

| | Revenue | | 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 | % |
| Nine months ended | | | | | | | | | | | | |
| December 31, 2019 | 671,116 | (10.6) | 15,219 | 14.7 | 15,852 | 16.8 | 11,005 | 17.1 | 9,282 | 18.8 | 11,589 | 25.4 |
| December 31, 2018 | 750,618 | 38.0 | 13,267 | (7.2) | 13,566 | (13.6) | 9,400 | (14.0) | 7,812 | (15.8) | 9,238 | (21.5) |

| | Basic earnings per share attributable to Itochu Enex's shareholders | Diluted earnings per share attributable to Itochu Enex's shareholders |
|-------------------|---|---|
| Nine months ended | Yen | Yen |
| December 31, 2019 | 82.23 | – |
| December 31, 2018 | 69.21 | – |

Reference: Total trading transactions

For the nine months ended December 31, 2019: 826,528 million yen

For the nine months ended December 31, 2018: 931,822 million yen

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 | % |
| December 31, 2019 | 408,799 | 149,363 | 126,151 | 30.9 |
| March 31, 2019 | 374,373 | 144,566 | 122,290 | 32.7 |

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, 2019 | – | 20.00 | – | 22.00 | 42.00 |
| Fiscal year ending | – | 21.00 | – | | |
| March 31, 2020 | | | | | |
| Fiscal year ending | | | | 21.00 | 42.00 |
| March 31, 2020 (Forecast) | | | | | |

Note: Revisions to the forecasts of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2020
(from April 1, 2019 to March 31, 2020)

(Percentages indicate year-on-year changes.)

| | Revenue | | 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, 2020 | 1,000,000 | (0.7) | 16,500 | (7.6) | 19,200 | (1.1) | 11,800 | 2.1 | 104.54 |

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 14 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 December 31, 2019 | 116,881,106 shares |
| As of March 31, 2019 | 116,881,106 shares |

b. Number of treasury stock at end of period

| | |
|-------------------------|------------------|
| As of December 31, 2019 | 4,000,476 shares |
| As of March 31, 2019 | 4,002,462 shares |

c. Average number of outstanding shares during period (cumulative from the beginning of the fiscal year)

| | |
|---|--------------------|
| For the nine months ended December 31, 2019 | 112,879,808 shares |
| For the nine months ended December 31, 2018 | 112,878,888 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 Nine Months, (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements” on page 6 of the attached materials for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

Contents of Attached Materials

| | |
|--|----|
| 1. Qualitative Information Regarding Results for the First Nine Months | 2 |
| (1) Explanation of Operating Results | 2 |
| (2) Explanation of Financial Position | 5 |
| (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements | 6 |
| 2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto | 7 |
| (1) Condensed Quarterly Consolidated Statement of Financial Position | 7 |
| (2) Condensed Quarterly Consolidated Statement of Comprehensive Income | 9 |
| (3) Condensed Quarterly Consolidated Statement of Changes in Equity | 11 |
| (4) Condensed Quarterly Consolidated Statement of Cash Flows | 12 |
| (5) Notes on Uncertainties of Entity’s Ability to Continue as Going Concern | 14 |
| (6) Changes in Accounting Policies | 14 |
| (7) Segment Information | 15 |

1. Qualitative Information Regarding Results for the First Nine Months

(1) Explanation of Operating Results

The Group has adopted IFRS 16 “Leases” (issued in January 2016; hereinafter, “IFRS 16”) from the first quarter ended June 30, 2019. For the details of the impact of the adoption of IFRS 16, please refer to “2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto, (6) Changes in Accounting Policies.”

1) Results of operations

During the nine months ended December 31, 2019, the tone of the Japanese economy was one of moderate recovery. However, the outlook for the global economy remained uncertain due to uncertainties in overseas economies and geopolitical risk in the Middle Eastern regions.

In addition, Japan’s energy industry has been encountering drastically changing circumstances, particularly with respect to consolidation of major oil companies, market entry by companies from other industries as a result of Japan having fully liberalized retail power and city gas sales, alliances forged across industry lines, and mounting worldwide awareness of climate change.

In this environment, the Itochu Enex Group announced its two-year medium-term business plan “Moving 2020 Horizons” in April 2019, and has been advancing its business based on the following basic policies:

Overview of medium-term business plan

1. Name of the plan: Moving 2020 Horizons



2. Period: Two years (FY2019 to FY2020)

3. Basic policy: Promotion of Growth Strategies

- (1) Maintaining and deepening the revenue base: Create Group synergy and further cultivate customer base.
- (2) Making inroads overseas and in peripheral fields: Proactively invest in overseas businesses and promote M&A of peripheral businesses.
- (3) Creating new businesses: Promote environmental businesses and so on.

Evolution of the Organizational Base

- (1) Strengthening Group management: Advance consolidated management and construct effective governance management structures.
- (2) Human resource strategies for growth: Promote diversity and nurture global human resources.
- (3) Promoting innovation: Pursue more efficient operations in existing business and promote digital solutions.

4. Quantitative plan (FY2020):

- (1) Net profit attributable to Itochu Enex’s shareholders: ¥12.5 billion
- (2) ROE: 9.0% or above
- (3) Dividend payout ratio: 40% or above
- (4) Planned investment (2-year total): ¥60.0 billion

The operating results for the nine months ended December 31, 2019 are as follows.

Revenue was ¥671,116 million (down 10.6% year on year), due mainly to the impact resulting from the decrease in sales volumes of domestic petroleum products and declining sales prices caused by a fall in the crude oil prices.

Profit from operating activities was ¥15,219 million (up 14.7% year on year), and net profit attributable to Itochu Enex's shareholders was ¥9,282 million (up 18.8% year on year), a new record high. This was mainly due to increased profit margins in the electric power business of the Power & Utility Division.

2) Results of operations by segment

Results of operations by segment are as follows. Following the reorganization of the Group carried out on April 1, 2019, the Mobility Life Department was included in the Life & Industrial Energy Division. In line with this, the classification of reportable segments has been changed to the Home-Life Division, Life & Industrial Energy Division and Power & Utility Division from the first quarter ended June 30, 2019.

In addition, following the reorganization of the Group carried out on October 1, 2019, the Life & Industrial Energy Division was reorganized into two divisions: the Car-Life Division and Industrial Business Division. In line with this, the classification of reportable segments has been changed to the Home-Life Division, Car-Life Division, Industrial Business Division and Power & Utility Division from the third quarter ended December 31, 2019.

For that reason, the year-on-year comparisons have been recalculated based on the reportable segments as they exist after the reorganization.

Home-Life Division

In the Home-Life Division during the nine months ended December 31, 2019, the number of customers under direct LP gas supply contracts increased by 1,000 to approximately 552,000, compared with the end of the previous fiscal 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 14,000 for a total of approximately 95,000, compared with the end of the previous fiscal year.

In the industrial gas sales business and container inspection business, sales volumes posted year-on-year declines due to the decrease in the sales volume of hydrogen associated with a decline in the export of electronic components, and the lower sales of carbonic acid gas caused by market conditions.

As a result of these activities, the operating results for the nine months ended December 31, 2019 are as follows.

Revenue was ¥60,037 million (down 9.7% year on year), due mainly to the declining sales price caused by a fall in the import price and the decrease in the sales volume of LP gas.

Profit from operating activities was ¥1,204 million (down 41.3% year on year). Net profit attributable to Itochu Enex's shareholders was ¥804 million (down 36.6% year on year). This was due mainly to the impact of inventories in relation to a fall in the LP gas import price.

Car-Life Division

Looking at the Car-Life Division during the nine months ended December 31, 2019, in the Car-Life Stations (CS)*¹ business, the number of the CS was 1,734, a decrease of 32 from the end of the previous fiscal period. Sales volumes of petroleum products decreased year on year, reflecting a decrease in the number of CS, increasing fuel efficiency of vehicles, the impact of a warm winter, and a decrease in demand-and-supply transactions. The retail market for petroleum products continued to see robust sales.

In the automotive business, our car dealer business subsidiary OSAKA CAR LIFE GROUP CO., LTD. experienced a year-on-year decline in sales volume in reaction to the consumption tax hike.

As a result of these activities, the operating results for the nine months ended December 31, 2019 are as follows.

Revenue was ¥410,856 million (down 11.8% year on year), due mainly to a decrease in sales volume of domestic petroleum products and declining sales prices caused by a fall in the crude oil prices.

Profit from operating activities was ¥6,438 million (up 0.8% year on year). Net profit attributable to Itochu Enex's shareholders was ¥3,540 million (down 3.8% year on year). This was mainly attributable to an increase in profit margins on new car sales and increased profits from service revenue in the car dealer business, along with inclusion of certain expenses previously accounted as selling, general and administrative expenses within financial costs following the application of IFRS 16, despite a decrease in sales volume of petroleum products in Japan.

*1 Car-Life Stations: Car-Life Stations are service stations offering multiple services provided by the Company.

Industrial Business Division

Looking at the Industrial Business Division during the nine months ended December 31, 2019, in the industrial petroleum product sales business, sales volumes decreased year on year, mainly due to the impact of a decline in domestic demand for petroleum products driven by a transition to low-carbon energy.

In the asphalt sales business, sales were steady, and sales volumes rose year on year.

In the marine fuel sales business, as a result of expanding transactions including starting to supply new shipping routes, domestic sales volumes rose year on year.

As a result of these activities, the operating results for the nine months ended December 31, 2019 are as follows.

Revenue was ¥128,856 million (down 14.3% year on year), due mainly to a decrease in sales volume of industrial petroleum products and declining sales prices caused by a fall in the crude oil prices.

Profit from operating activities was ¥1,866 million (down 5.4% year on year). Net profit attributable to Itochu Enex's shareholders was ¥1,299 million (down 5.6% year on year), due mainly to a decrease in sales volume of industrial petroleum products.

Power & Utility Division

Looking at the Power & Utility Division during the nine months ended December 31, 2019, in the electric power business, retail electricity sales volumes decreased year on year due to a downturn in large, high-voltage power contracts for business users, despite an increase in volume of low-voltage power sales to households.

In the heat supply business^{*2}, lower temperatures than in the same period of the previous fiscal year led to a year-on-year decrease in demand for heat.

As a result of these activities, the operating results for the nine months ended December 31, 2019 are as follows.

Revenue was ¥71,367 million (up 5.3% year on year), due mainly to an increase in retail sales volume of low-voltage power in the electric power business.

Profit from operating activities was ¥5,221 million (up 148.4% year on year). Net profit attributable to Itochu Enex's shareholders was ¥3,368 million (up 236.8% year on year). This was mainly due to an increase in profit margins in the electric power business with a stable wholesale electricity market.

*2 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.

(2) Explanation of Financial Position

Assets, liabilities and equity

Total assets amounted to ¥408,799 million as of December 31, 2019, an increase of ¥34,426 million from March 31, 2019. This increase mainly reflected an increase in property, plant and equipment of ¥41,453 million with the application of IFRS 16. Total liabilities amounted to ¥259,436 million, an increase of ¥29,629 million from March 31, 2019, mainly due to an increase in lease liabilities of ¥50,207 million with the application of IFRS 16. Total equity totaled ¥149,363 million, an increase of ¥4,797 million from March 31, 2019, due to factors including an increase of ¥9,282 million from net profit attributable to Itochu Enex's shareholders, a decrease of ¥5,278 million by payment of cash dividends and a decrease of ¥1,535 million with the application of IFRS 16.

Cash flows

The group has set goals in FY 2020 of net profit attributable to Itochu Enex's shareholders of ¥12.5 billion and ROE of 9.0% or above. Using the cash flow generated from our core businesses, we are proactively investing in new businesses. Going forward, while further evolving group management and creating a balanced asset portfolio, we will build a system that can create synergies among our businesses.

(Millions of yen)

| | Nine months ended December 31, 2018 | Nine months ended December 31, 2019 | Change |
|--|--|--|----------|
| Cash flows from operating activities | 9,715 | 16,104 | 6,389 |
| Cash flows from investing activities | (3,490) | (1,010) | 2,480 |
| [Free cash flows] | [6,225] | [15,094] | [8,869] |
| Cash flows from financing activities | (7,522) | (17,854) | (10,332) |
| Net increase in cash and cash equivalents | (1,297) | (2,760) | (1,463) |
| Effect of exchange rate changes on cash and cash equivalents | 10 | 1 | (9) |
| Cash and cash equivalents at the end of the period | 21,286 | 15,966 | (5,320) |

Cash and cash equivalents (net cash) totaled ¥15,966 million as of December 31, 2019, down ¥2,759 million from March 31, 2019.

Cash flows from operating activities

(Millions of yen)

| | Nine months ended December 31, 2018 | Nine months ended December 31, 2019 | Change |
|---------------------------------------|--|--|---------|
| Cash flows from operating activities | 9,715 | 16,104 | 6,389 |
| Changes in working capital and others | (5,261) | (10,495) | (5,234) |
| Real operating cash flow* | 14,976 | 26,599 | 11,623 |

*Real operating cash flow excludes working capital, etc. from cash flows from operating activities.

Operating activities provided net cash of ¥16,104 million. Major items included profit before tax of ¥15,852 million, depreciation and amortization of ¥14,631 million, and an increase in funds required for trading of ¥5,937 million. Net cash provided increased ¥6,389 million year on year. Moreover, real operating cash flow also increased year on year, even after excluding special factors such as an increase of ¥6,543 million due to the application of IFRS16 and income taxes refund of ¥2,533 million.

Cash flows from investing activities

The Group has always made investments with an awareness of capital efficiency based on our investment strategy. In the two years from FY2019 to FY2020, we are planning investments of ¥20,000 million in maintaining and deepening our important revenue base that generates cash flow, as well as ¥40,000 million in overseas and peripheral fields and new businesses centered on the Power & Utility Division. Proactively investing the cash flow generated from our core businesses in new businesses has resulted in ¥1,010 million in funds used for investing activities. Cash used included purchase of investments accounted for by the equity method of ¥2,750 million, mainly in the Power & Utility Division, acquisition of subsidiaries of ¥5,566 million, and payments for purchase of property, plant and equipment and investment property of ¥8,666 million. Meanwhile, cash provided included proceeds from sales of subsidiaries of ¥2,905 million and decrease in deposits paid of ¥10,000 million. Net cash used decreased ¥2,480 million year on year.

Cash flows from financing activities

The Group aims to streamline Group-wide financing activities to enhance our corporate value. Enhancing Group-wide financial management through the introduction of our Group Financial System* resulted in ¥17,854 million in funds used for financing activities. Major items included repayments of bonds and borrowings of ¥6,480 million, repayments of lease liabilities of ¥8,078 million, and cash dividends paid of ¥5,278 million. Net cash used increased ¥10,332 million year on year.

*The Group Financial System streamlines fund management and procurement costs by sharing funds within the Group.

(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 26, 2019.

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, 2019 | As of December 31, 2019 |
|---|-------------------------|----------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 18,725 | 15,966 |
| Trade receivables | 106,165 | 108,047 |
| Other current financial assets | 36,034 | 27,799 |
| Inventories | 33,053 | 26,628 |
| Income taxes receivable | 2,533 | 507 |
| Trade advances paid | 111 | 95 |
| Other current assets | 3,154 | 3,761 |
| Total current assets | 199,775 | 182,803 |
| Non-current assets | | |
| Investments accounted for by the equity method | 29,441 | 36,256 |
| Other investments | 4,186 | 4,416 |
| Non-current financial assets other than investments | 11,292 | 12,001 |
| Property, plant and equipment | 87,599 | 129,052 |
| Investment property | 9,819 | 12,713 |
| Goodwill | 521 | 521 |
| Intangible assets | 20,091 | 20,027 |
| Deferred tax assets | 9,913 | 9,191 |
| Other non-current assets | 1,736 | 1,819 |
| Total non-current assets | 174,598 | 225,996 |
| Total assets | 374,373 | 408,799 |

(Millions of yen)

| | As of March 31, 2019 | As of December 31, 2019 |
|---|-------------------------|----------------------------|
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Short-term bonds and borrowings | 11,217 | 10,956 |
| Trade payables | 121,677 | 111,212 |
| Lease liabilities | – | 9,300 |
| Other current financial liabilities | 7,905 | 6,644 |
| Income taxes payable | 3,193 | 2,052 |
| Advances from customers | 9,651 | 7,805 |
| Other current liabilities | 11,820 | 8,728 |
| Total current liabilities | 165,463 | 156,697 |
| Non-current liabilities | | |
| Non-current bonds and borrowings | 22,893 | 18,651 |
| Lease liabilities | – | 52,048 |
| Other non-current financial liabilities | 23,531 | 14,086 |
| Non-current liabilities for employee benefits | 9,936 | 10,118 |
| Deferred tax liabilities | 2,287 | 2,378 |
| Provisions | 5,462 | 5,260 |
| Other non-current liabilities | 235 | 198 |
| Total non-current liabilities | 64,344 | 102,739 |
| Total liabilities | 229,807 | 259,436 |
| Equity | | |
| Common stock | 19,878 | 19,878 |
| Capital surplus | 18,922 | 18,919 |
| Retained earnings | 86,769 | 90,028 |
| Other components of equity | (1,406) | (804) |
| Treasury stock | (1,873) | (1,870) |
| Total shareholders' equity | 122,290 | 126,151 |
| Non-controlling interests | 22,276 | 23,212 |
| Total equity | 144,566 | 149,363 |
| Total liabilities and equity | 374,373 | 408,799 |

(2) Condensed Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

| | Nine months ended December 31, 2018 | Nine months ended December 31, 2019 |
|--|--|--|
| Revenue | 750,618 | 671,116 |
| Cost of sales | (688,451) | (607,427) |
| Gross profit | 62,167 | 63,689 |
| Other income and expense | | |
| Selling, general and administrative expenses | (49,059) | (49,884) |
| Profit (loss) from tangible assets, intangible assets and goodwill | (331) | 1 |
| Other – net | 490 | 1,413 |
| Total other income and expense | (48,900) | (48,470) |
| Profit from operating activities | 13,267 | 15,219 |
| Financial income and costs | | |
| Interest income | 43 | 43 |
| Dividends received | 64 | 94 |
| Interest expense | (665) | (839) |
| Other financial income and costs – net | (46) | (33) |
| Total financial income and costs | (604) | (735) |
| Share of profit of investments accounted for by the equity method | 903 | 1,368 |
| Profit before tax | 13,566 | 15,852 |
| Income tax expense | (4,166) | (4,847) |
| Net profit | 9,400 | 11,005 |
| Net profit attributable to: | | |
| Net profit attributable to Itochu Enex's shareholders | 7,812 | 9,282 |
| Net profit attributable to non-controlling interests | 1,588 | 1,723 |
| Total | 9,400 | 11,005 |

(Millions of yen)

| | Nine months ended December 31, 2018 | Nine months ended December 31, 2019 |
|--|--|--|
| Other comprehensive income, net of tax effect | | |
| Items that will not be reclassified to profit or loss | | |
| FVTOCI financial assets | (25) | 212 |
| Other comprehensive income of investments accounted for by the equity method | (58) | 45 |
| Items that may be reclassified to profit or loss | | |
| Exchange differences on translating foreign operations | (8) | 1 |
| Cash flow hedges | 15 | 54 |
| Other comprehensive income of investments accounted for by the equity method | (86) | 272 |
| Total other comprehensive income, net of tax effect | (162) | 584 |
| Comprehensive income | 9,238 | 11,589 |
| Comprehensive income attributable to: | | |
| Comprehensive income attributable to Itochu Enex's shareholders | 7,651 | 9,866 |
| Comprehensive income attributable to non-controlling interests | 1,587 | 1,723 |
| Total | 9,238 | 11,589 |

(Yen)

| | | |
|---|-------|-------|
| Earnings per share attributable to Itochu Enex's shareholders | | |
| Basic | 69.21 | 82.23 |
| Diluted | – | – |

(Millions of yen)

| | | |
|----------------------------|---------|---------|
| Total trading transactions | 931,822 | 826,528 |
|----------------------------|---------|---------|

(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

Nine months ended December 31, 2018

(Millions of yen)

| | Shareholders' equity | | | | | Total shareholders' equity | Non-controlling interests | Total equity |
|---|----------------------|-----------------|-------------------|----------------------------|----------------|----------------------------|---------------------------|--------------|
| | Common stock | Capital surplus | Retained earnings | Other components of equity | Treasury stock | | | |
| Balance at April 1, 2018 | 19,878 | 18,892 | 80,352 | (1,145) | (1,873) | 116,104 | 20,962 | 137,066 |
| Net profit | | | 7,812 | | | 7,812 | 1,588 | 9,400 |
| Other comprehensive income | | | | (162) | | (162) | (1) | (162) |
| Comprehensive income | | | 7,812 | (162) | | 7,650 | 1,587 | 9,238 |
| Transactions with owners | | | | | | | | |
| Cash dividends | | | (4,971) | | | (4,971) | (459) | (5,430) |
| Changes due to additional acquisitions and sales of interests in subsidiaries | | 22 | | | | 22 | (249) | (227) |
| Transfer from other components of equity to retained earnings | | | 2 | (2) | | – | | – |
| Purchase and disposal of treasury stock | | | | | (0) | (0) | | (0) |
| Share-based payments | | 3 | | | | 3 | | 3 |
| Balance at December 31, 2018 | 19,878 | 18,917 | 83,195 | (1,308) | (1,873) | 118,809 | 21,841 | 140,650 |

Nine months ended December 31, 2019

(Millions of yen)

| | Shareholders' equity | | | | | Total shareholders' equity | Non-controlling interests | Total equity |
|---|----------------------|-----------------|-------------------|----------------------------|----------------|----------------------------|---------------------------|--------------|
| | Common stock | Capital surplus | Retained earnings | Other components of equity | Treasury stock | | | |
| Balance at April 1, 2019 | 19,878 | 18,922 | 86,769 | (1,406) | (1,873) | 122,290 | 22,276 | 144,566 |
| Cumulative effect of accounting change | | | (1,146) | | | (1,146) | (389) | (1,535) |
| Restated balance | 19,878 | 18,922 | 85,623 | (1,406) | (1,873) | 121,144 | 21,887 | 143,031 |
| Net profit | | | 9,282 | | | 9,282 | 1,723 | 11,005 |
| Other comprehensive income | | | | 584 | | 584 | 0 | 584 |
| Comprehensive income | | | 9,282 | 584 | | 9,866 | 1,723 | 11,589 |
| Transactions with owners | | | | | | | | |
| Cash dividends | | | (4,859) | | | (4,859) | (419) | (5,278) |
| Changes due to additional acquisitions and sales of interests in subsidiaries | | | | | | – | 21 | 21 |
| Transfer from other components of equity to retained earnings | | | (18) | 18 | | – | | – |
| Purchase and disposal of treasury stock | | | | | (0) | (0) | | (0) |
| Share-based payments | | (3) | | | | – | | – |
| Balance at December 31, 2019 | 19,878 | 18,919 | 90,028 | (804) | (1,870) | 126,151 | 23,212 | 149,363 |

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

| | Nine months ended December 31, 2018 | Nine months ended December 31, 2019 |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before tax | 13,566 | 15,852 |
| Depreciation and amortization | 7,522 | 14,631 |
| Loss (profit) from tangible assets, intangible assets and goodwill | 331 | (1) |
| Financial income and costs | 604 | 735 |
| Share of profit of investments accounted for by the equity method | (903) | (1,368) |
| Decrease (increase) in trade receivables | 4,790 | (1,897) |
| Decrease (increase) in inventories | (2,188) | 6,425 |
| Decrease in trade payables | (477) | (10,465) |
| Other – net | (7,386) | (4,558) |
| Dividends received | 405 | 671 |
| Interest received | 40 | 26 |
| Interest expense | (596) | (808) |
| Income taxes paid | (5,993) | (5,672) |
| Income taxes refund | – | 2,533 |
| Net cash flows provided by operating activities | 9,715 | 16,104 |
| Cash flows from investing activities | | |
| Purchase of investments accounted for by the equity method | (2,359) | (2,750) |
| Proceeds from sales of investments accounted for by the equity method | – | 138 |
| Purchase of investments | (104) | (66) |
| Proceeds from sales of investments | 46 | 66 |
| Acquisition of subsidiaries, net of cash acquired | – | (5,566) |
| Proceeds from acquisition of subsidiaries | 22 | – |
| Proceeds from sales of subsidiaries, net of cash acquired | – | 2,905 |
| Payment for loans receivable | (736) | (703) |
| Collection of loans receivable | 478 | 857 |
| Payments for purchase of property, plant and equipment and investment property | (7,595) | (8,666) |
| Proceeds from sales of property, plant and equipment and investment property | 730 | 1,834 |
| Purchase of intangible assets | (664) | (978) |
| Proceeds from sales of intangible assets | 54 | 16 |
| Decrease in deposits paid – net | 5,000 | 10,000 |
| Other – net | 1,638 | 1,903 |
| Net cash flows used in investing activities | (3,490) | (1,010) |

(Millions of yen)

| | Nine months ended December 31, 2018 | Nine months ended December 31, 2019 |
|---|--|--|
| Cash flows from financing activities | | |
| Repayments of bonds and borrowings | (2,769) | (6,480) |
| Repayments of lease liabilities | – | (8,078) |
| Net increase in short-term borrowings | 830 | 1,962 |
| Payments for additional acquisitions of interests in subsidiaries from non-controlling interests | (228) | (30) |
| Cash dividends paid to Itochu Enex's shareholders | (4,971) | (4,859) |
| Capital contribution from non-controlling interests | 75 | 50 |
| Cash dividends paid to non-controlling interests | (459) | (419) |
| Purchase of treasury stock | (0) | (0) |
| Net cash flows used in financing activities | (7,522) | (17,854) |
| Net decrease in cash and cash equivalents | (1,297) | (2,760) |
| Cash and cash equivalents at the beginning of the period | 22,573 | 18,725 |
| Effect of exchange rate changes on cash and cash equivalents | 10 | 1 |
| Cash and cash equivalents at the end of the period | 21,286 | 15,966 |

(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, 2019, the following standard has been applied.

| Standard | Title | Description of new/amended standards or interpretations |
|----------|--------|---|
| IFRS 16 | Leases | Amendments to accounting for lease contracts |

Following the application of IFRS 16, for leases as lessee in cases where the contract is a lease or contains a lease, right-of-use assets and lease liabilities are recorded in the condensed quarterly consolidated statement of financial position on the commencement date of the lease.

Lease liabilities are measured using the present value of unpaid lease payments. Lease payments are allocated to financial costs and repayments of lease liabilities based on the effective interest method with financial costs recognized in the condensed quarterly consolidated statement of comprehensive income.

Right-of-use assets are measured at cost, with the acquisition cost on the commencement date of the lease being determined, and the asset being depreciated thereafter using the straight-line method over the period from the commencement date to the end of the asset's useful life or of the lease term, whichever is the shorter.

Furthermore, the Group has not recognized right-of-use assets and lease liabilities for leases of intangible assets, short-term leases with a lease term of less than 12 months, and leases for low-value assets. Lease payments related to the above are recognized as expense on either a straight-line basis or some other systematic basis to the total lease payments over the lease term.

In accordance with the transition under IFRS 16 upon its application, the Group has recognized the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings for the first quarter ended June 30, 2019. The weighted average of the lessee's incremental borrowing rate applied to lease liabilities recognized in the condensed quarterly consolidated statement of financial position as of the date of initial application of the standard is 0.5%.

A schedule reconciling the operating lease contracts disclosed as of the end of the previous fiscal year under IAS 17 "Leases" (hereinafter, "IAS 17") and the lease liabilities recognized in the condensed quarterly consolidated statement of financial position as of the date of initial application of the standard is provided below.

| | Amount |
|--|-------------------|
| | (Millions of yen) |
| Noncancelable operating lease contracts disclosed (March 31, 2019) | 6,168 |
| Operating leases discounted using the incremental borrowing rate (April 1, 2019) | 6,096 |
| Finance lease obligations disclosed (March 31, 2019) | 11,141 |
| Cancelable operating lease contracts, etc. | 48,835 |
| Lease liabilities as of April 1, 2019 | <u>66,072</u> |

In applying IFRS 16, the Group has elected to apply the practical expedient provided in paragraph C3 of IFRS 16 to grandfather the assessment of whether a contract contains a lease under IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease."

With regard to leases previously classified as operating leases under IAS 17, these were recognized as right-of-use assets and lease liabilities on the date of initial application of IFRS 16, with lease liabilities measured using the present value of unpaid lease payments at commencement, discounted by the lessee's incremental borrowing rate as of the initial application of the standard. In addition, with regard to leases that were previously classified as finance leases under IAS 17, the book values of right-of-use assets and lease liabilities at the date of initial application of the standard are measured at the book value of lease assets and lease

obligations respectively on the day directly before the date of initial application, based on IAS 17.

As a result, total assets increased by ¥53,395 million, lease liabilities increased by ¥54,931 million, while retained earnings decreased by ¥1,146 million as of the beginning of the first quarter ended June 30, 2019.

In relation to the application of IFRS 16, the Group has elected to use the following practical expedients.

- Initial direct costs are excluded from the measurement of right-of-use assets performed at the date of the initial application of the standard.
- When computing the lease term in cases where the contract contains an option to extend or cancel the lease, etc., a post-facto decision shall be taken.

(7) Segment Information

For the nine months ended December 31, 2018

(Millions of yen)

| | Reportable segment | | | | Total | Adjustment | Consolidated |
|---|--------------------|-------------------|------------------------------|--------------------------|---------|------------|--------------|
| | Home-Life Division | Car-Life Division | Industrial Business Division | Power & Utility Division | | | |
| Revenue | | | | | | | |
| Revenue from external customers | 66,521 | 465,952 | 150,360 | 67,785 | 750,618 | – | 750,618 |
| Intersegment revenue | 145 | 5,261 | 5,876 | 4,764 | 16,046 | (16,046) | – |
| Total revenue | 66,666 | 471,213 | 156,236 | 72,549 | 766,664 | (16,046) | 750,618 |
| Gross profit | 16,010 | 36,478 | 4,095 | 5,584 | 62,167 | – | 62,167 |
| Profit from operating activities | 2,050 | 6,385 | 1,973 | 2,102 | 12,510 | 757 | 13,267 |
| Profit before tax | 2,575 | 6,253 | 1,987 | 2,108 | 12,923 | 643 | 13,566 |
| Net profit attributable to Itochu Enex's shareholders | 1,268 | 3,680 | 1,376 | 1,000 | 7,324 | 488 | 7,812 |
| Other items | | | | | | | |
| Total assets | 64,365 | 162,524 | 38,272 | 81,700 | 346,861 | 28,948 | 375,809 |
| Total trading transactions | 74,413 | 611,316 | 175,654 | 70,439 | 931,822 | – | 931,822 |

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

The adjustment of ¥488 million to net profit attributable to Itochu Enex's shareholders represents corporate profit (loss) not allocated to reportable segments.

The adjustment of ¥28,948 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 nine months ended December 31, 2019

(Millions of yen)

| | Reportable segment | | | | Total | Adjustment | Consolidated |
|---|--------------------|-------------------|------------------------------|--------------------------|---------|------------|--------------|
| | Home-Life Division | Car-Life Division | Industrial Business Division | Power & Utility Division | | | |
| Revenue | | | | | | | |
| Revenue from external customers | 60,037 | 410,856 | 128,856 | 71,367 | 671,116 | – | 671,116 |
| Intersegment revenue | 78 | 8,501 | 6,536 | 2,508 | 17,623 | (17,623) | – |
| Total revenue | 60,115 | 419,357 | 135,392 | 73,875 | 688,739 | (17,623) | 671,116 |
| Gross profit | 15,293 | 36,343 | 3,972 | 8,081 | 63,689 | – | 63,689 |
| Profit from operating activities | 1,204 | 6,438 | 1,866 | 5,221 | 14,729 | 490 | 15,219 |
| Profit before tax | 1,492 | 6,178 | 1,879 | 5,898 | 15,447 | 405 | 15,852 |
| Net profit attributable to Itochu Enex's shareholders | 804 | 3,540 | 1,299 | 3,368 | 9,011 | 271 | 9,282 |
| Other items | | | | | | | |
| Total assets | 66,421 | 179,673 | 39,704 | 96,566 | 382,364 | 26,435 | 408,799 |
| Total trading transactions | 66,372 | 533,750 | 152,970 | 73,436 | 826,528 | – | 826,528 |

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

The adjustment of ¥271 million to net profit attributable to Itochu Enex's shareholders represents corporate profit (loss) not allocated to reportable segments.

The adjustment of ¥26,435 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, 2019

(Millions of yen)

| | Reportable segment | | | | Total | Adjustment | Consolidated |
|--------------|--------------------|-------------------|------------------------------|--------------------------|---------|------------|--------------|
| | Home-Life Division | Car-Life Division | Industrial Business Division | Power & Utility Division | | | |
| Total assets | 65,584 | 153,116 | 36,217 | 82,439 | 337,356 | 37,017 | 374,373 |

(Note) The adjustment of ¥37,017 million to total assets represents corporate assets not allocated to reportable segments.

Change in reportable segments

In the first quarter ended June 30, 2019, the now former Mobility Life Department was included in the Life & Industrial Energy Division.

In addition, in the third quarter ended December 31, 2019, Life & Industrial Energy Division was reorganized into two divisions: the Car-Life Division and Industrial Business Division.

In line with this, the classification of reportable segments has been changed from the Home-Life Division, Life & Industrial Energy Division and Power & Utility Division to the Home-Life Division, Car-Life Division, Industrial Business Division and Power & Utility Division from the third quarter ended December 31, 2019.

Due to the change in segments, segment information for the first nine months of the previous fiscal year and as of the end of the previous fiscal year (March 31, 2019) has been adjusted based on the classification of reportable segments after the change.