

ITOCHU ENEX CO., LTD.

(TSE First Section, 8133)

FY2021 Financial Results for First Six Months

October 29, 2021

Note

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

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

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

Results Highlights

Overview of Consolidated Financial Results for First Six Months of FY2021

- Net profits in the first six months** decreased 0.7 billion yen to **5.5 billion yen**, down 11.3% year on year. Profit decreased partly because of a rebound from the temporary earnings from operations in response to fluctuations in crude oil prices in the same period of the previous fiscal year. However, the impact of COVID-19 has been on a downward trend, and sales have been recovering, resulting in firm results overall in each business, with the exception of special factors.
- The ratio of SG&A expenses to gross profit** suggests that the ratio of SG&A expenses was properly controlled (78.8%) as in the previous year, despite a recovery in sales activities in certain sectors.

Net sales

398.1 billion yen (+24.6% year on year)

Operating profit

9.1 billion yen (-10.1% year on year)

Gross profit

41.7 billion yen (-1.1% year on year)

Net profit

5.5 billion yen (-11.3% year on year)

The Impact of the COVID-19 Coronavirus Pandemic

Impact on business performance (Year on year change)

	Oil	<ul style="list-style-type: none"> Sales of gasoline and diesel oil increased although the impact of remote working and stay at home advisories remained.
	LP gas	<ul style="list-style-type: none"> The operating rates of stores/factories, etc. have been recovering, having led to an increase in the sales volume of LP gas (for business and industrial use). Demand driven by those refraining from going out was subsiding, but the sales volume of LP gas for household use remained unchanged from the year-ago level. The sales volume of industrial gas remained unchanged year on year.
	Power	<ul style="list-style-type: none"> Operating rates of stores/factories, etc. have been recovering, having led to an increase in the sales volume of high voltage power. Sales volume of low voltage power, including that for household use, increased due to an increase in the number of contracts, although demand driven by those refraining from going out was subsiding.
	Sales of cars	<ul style="list-style-type: none"> Sales volume increased due to a recovery in sales of new model cars, etc.

Sales volume (company-wide)

<ul style="list-style-type: none"> Gasoline 1,277,000 KL (+6.9% year on year) 	<ul style="list-style-type: none"> LP gas 204,000 tons (-1.5% year on year) 	<ul style="list-style-type: none"> Electricity Retail 1,195 GWh (+9.1 year on year, including agency quantity)
<ul style="list-style-type: none"> Diesel oil 1,604,000 KL (+8.1% year on year) 	<ul style="list-style-type: none"> Industrial gas 33,000 tons (+1.0% year on year) 	<ul style="list-style-type: none"> New cars 1,200 units (+11.1% year on year)

◇ **Overview of Consolidated Financial Results for First Six Months of FY2021**

(1) Overview of the Entire Company

(2) Overview by Segment

◇ **Appendix**

Overview of Consolidated Financial Results for First Six Months of FY2021

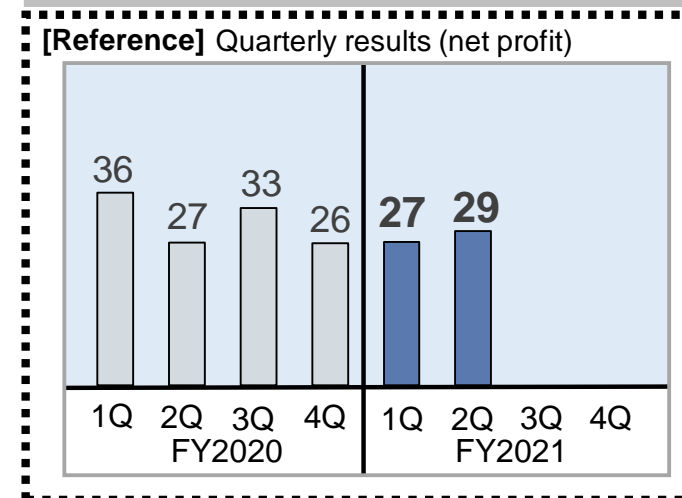
(1) Overview of the Entire Company

Summary of Financial Results for the First Six Months of FY2021

Firm results excluding a rebound from temporary earnings in Industrial Business, etc.

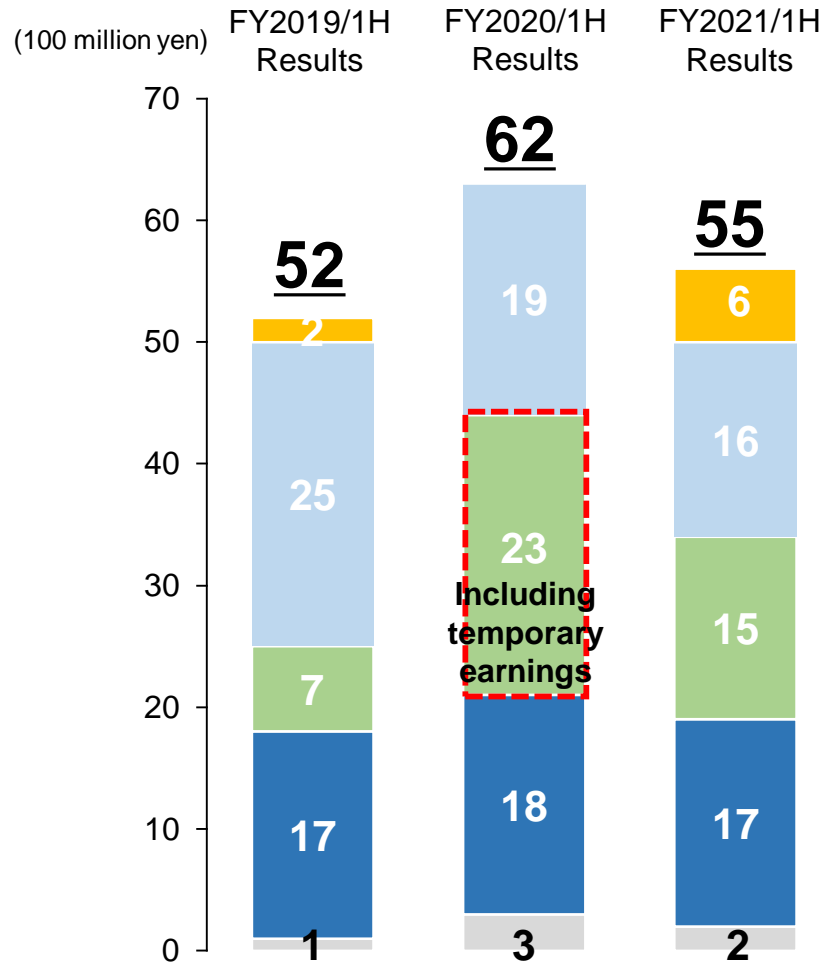
(100 million yen)	FY2020/1H Results	FY2021/1H Results	Changes	FY2021 Plan	Achievement rate
Net sales	3,195	3,981	+786	8,000	50%
Gross profit	421	417	-5		
Selling, general and administrative expenses	-319	-328	-9		
Operating profit	102	91	-10	205	45%
Share of profit (loss) of investments accounted for using the equity method	4	10	+6		
Net profit	62	55	-7	125	44%
Ratio of SG&A expenses to gross profit	75.8%	78.8%	+3.0pt		
Dividends (yen/share)	22	23	+1		

- Net profits in the first six months decreased 0.7 billion yen, to 5.5 billion yen, down 11.3% year on year. Profit decreased partly because of the absence of the temporary earnings from operations in response to fluctuations in crude oil price in the same period of the previous fiscal year. However, the impact of COVID-19 decreased year on year, and sales volumes were recovering, resulting in firm results in each business with the exception of special factors.
- The ratio of SG&A expenses to gross profit came to 78.8%, a 3.0% increase year on year. The ratio rose, reflecting a recovery in sales activities in certain sectors.



Net Profit by Segment

Profit decreased despite the recovery in sales volume, given the absence of the temporary earnings in the Industrial Business seen in the previous year.



Major factors for increase/ decrease

Home-Life (YoY: +¥500 million, Percent of the plan achieved: 22%)

The number of customers under direct contract rose slightly from the end of the previous fiscal year, to approx. 553,000. For LP gas sales volume, demand for gas for business and industrial use was recovering. The overall sales volume remained unchanged from the year-ago level, reflecting decreases in wholesale sales and sales of gas for automobile use. Profit increased chiefly due to a recovery in the industrial gas business and overseas business, reflecting the resumption of normal economic activity and the effect of inventories given a rise in import prices of LP gas.

Car-Life (YoY: -¥300 million, Percent of the plan achieved: 41%)

The number of filling stations decreased by 15 from the end of the previous fiscal year to 1,672. The sales volume of kerosene fell year on year, while demand for gasoline and diesel oil increased chiefly due to the resumption of normal economic activity. The overall sales volume of oil products increased year on year. The number of new cars sold increased year on year due to a recovery in sales of new model cars, etc. Profit declined due to the significant effect of a decrease in retail margins in the oil business, despite a recovery in the car dealer business.

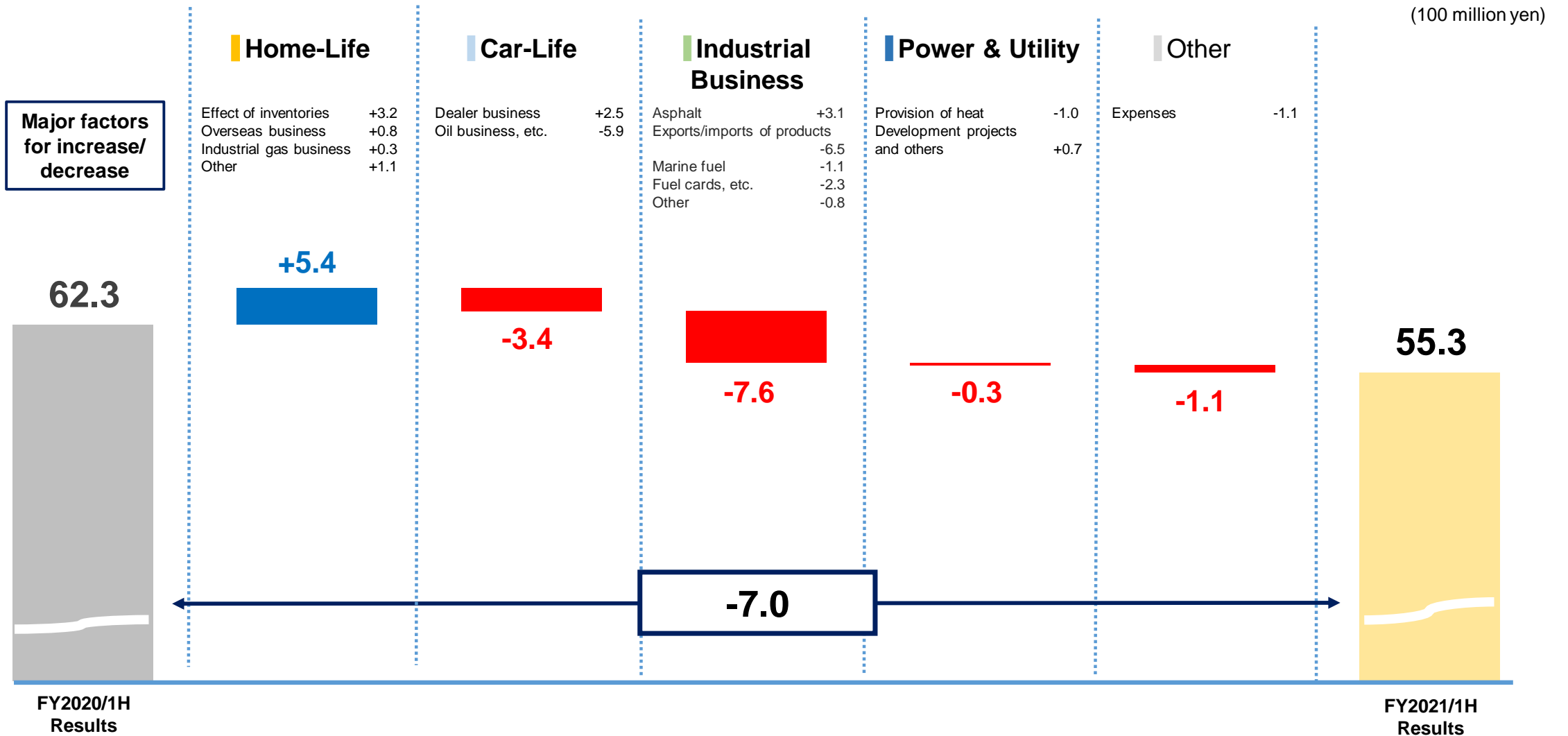
Industrial Business (YoY: -¥800 million, Percent of the plan achieved: 58%)

The sales volume in the asphalt business decreased year on year due to comprehensive measures to ensure profitable sales. Sales volume in the marine fuel business was also down year on year, as the supply of fuel for inland vessels for new routes of existing customers was offset by a decrease in the supply of fuel for ocean going vessels. The sales volume of corporate fleet refueling cards increased year on year, reflecting activities to find new customers. Profit decreased, as an increase in profit in the asphalt business was offset by the absence of the temporary earnings from operations in response to fluctuations in crude oil prices as well as financial income in the previous fiscal year.

Power & Utility (YoY: -¥0 million, Percent of the plan achieved: 45%)

Among electricity retail sales, high-voltage power sales volume increased year on year due to the winning of large projects. Low-voltage power sales volume increased year on year with a rise in the number of contracts, mainly for household use. Demand in the heat provision business declined year on year due to a far lower average temperature in the summer than the year-ago level. Profit was on a par with the year-ago level, with a fall in heat demand and a decline in capacity utilization at power plants due to regular inspection offset by a rise in earnings of associates accounted for by the equity method.

Analysis of Net Profit in 1H by Segment

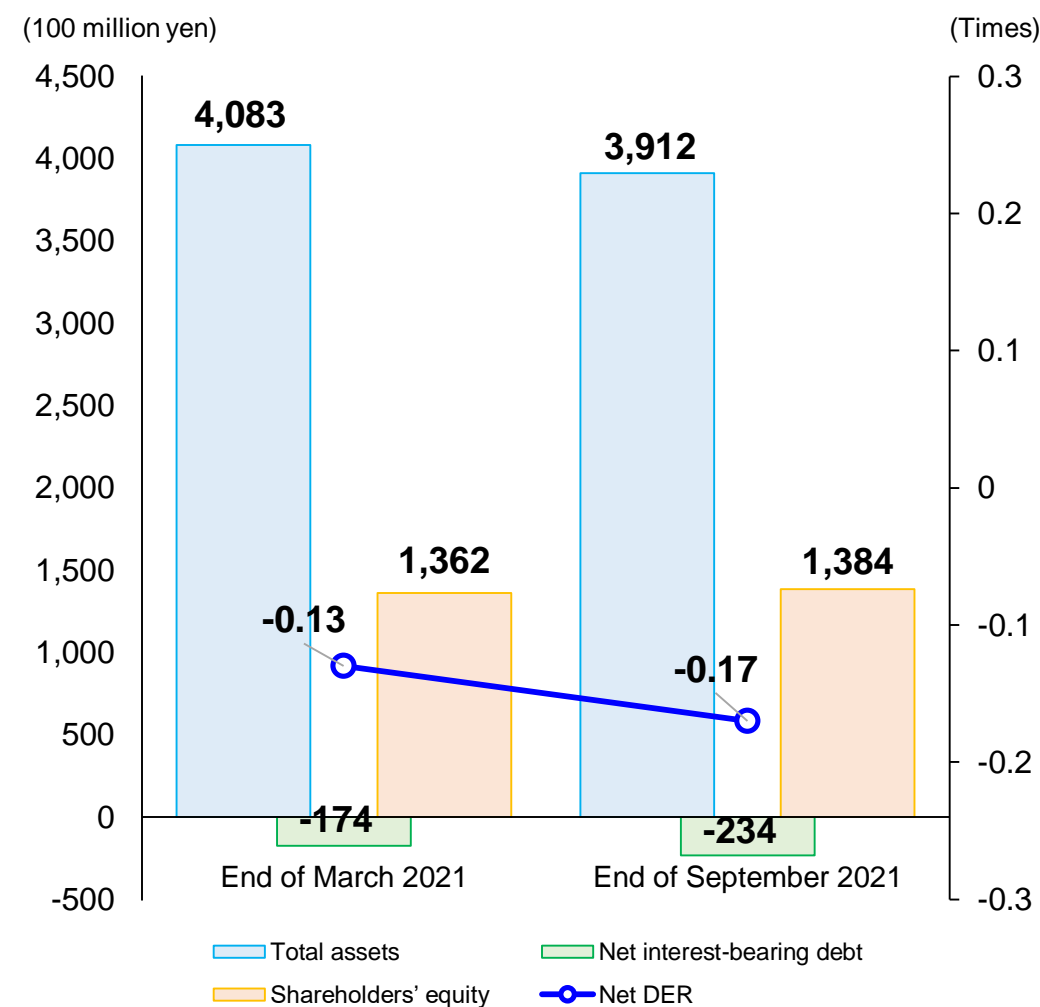


Financial Position

Trade receivables/trade payables decreased due in part to seasonal factors.

- **Total assets:** Decreased 17.2 billion yen from the end of the previous year due to decreases in trade receivables/trade payables and came to **391.2 billion yen**.
- **Shareholders' equity:** Increased 2.2 billion yen, to **138.4 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 2021 Results	End of September 2021 Results	Changes
Total assets	4,083	3,912	-172
Net interest-bearing debt	-174	-234	-60
Shareholders' equity	1,362	1,384	+22
Ratio of shareholders' equity to net assets	33.4%	35.4%	+2.0pt
Net DER	-0.13	-0.17	-0.04



Cash Flows

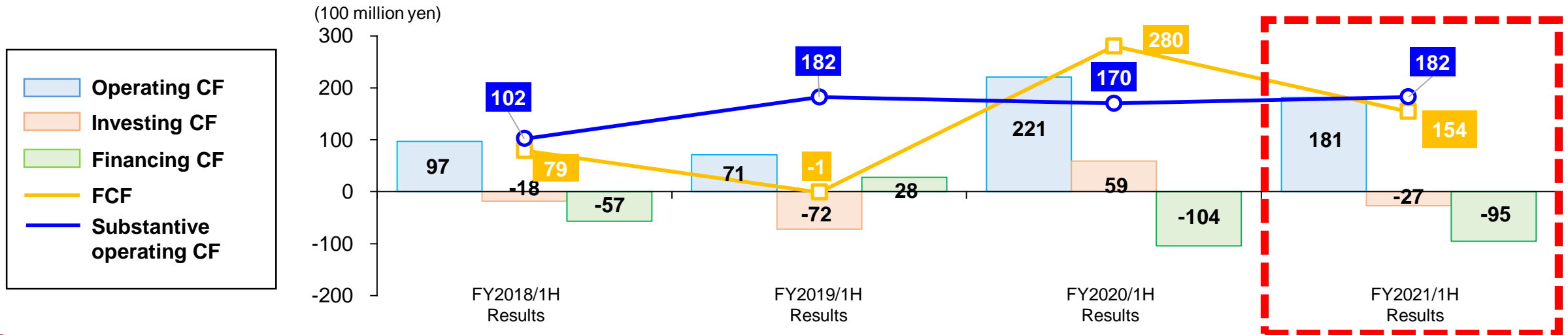
Continued to create ample cash flows from operating activities, excluding special factors.

(100 million yen)	FY2018/1H Results	FY2019/1H Results	FY2020/1H Results	FY2021/1H Results
Cash flows from operating activities	97	71	221	181
Cash flows from investing activities	-18	-72	59	-27
(Free cash flows)	79	-1	280	154
Cash flows from financing activities	-57	28	-104	-95

Substantive cash flows

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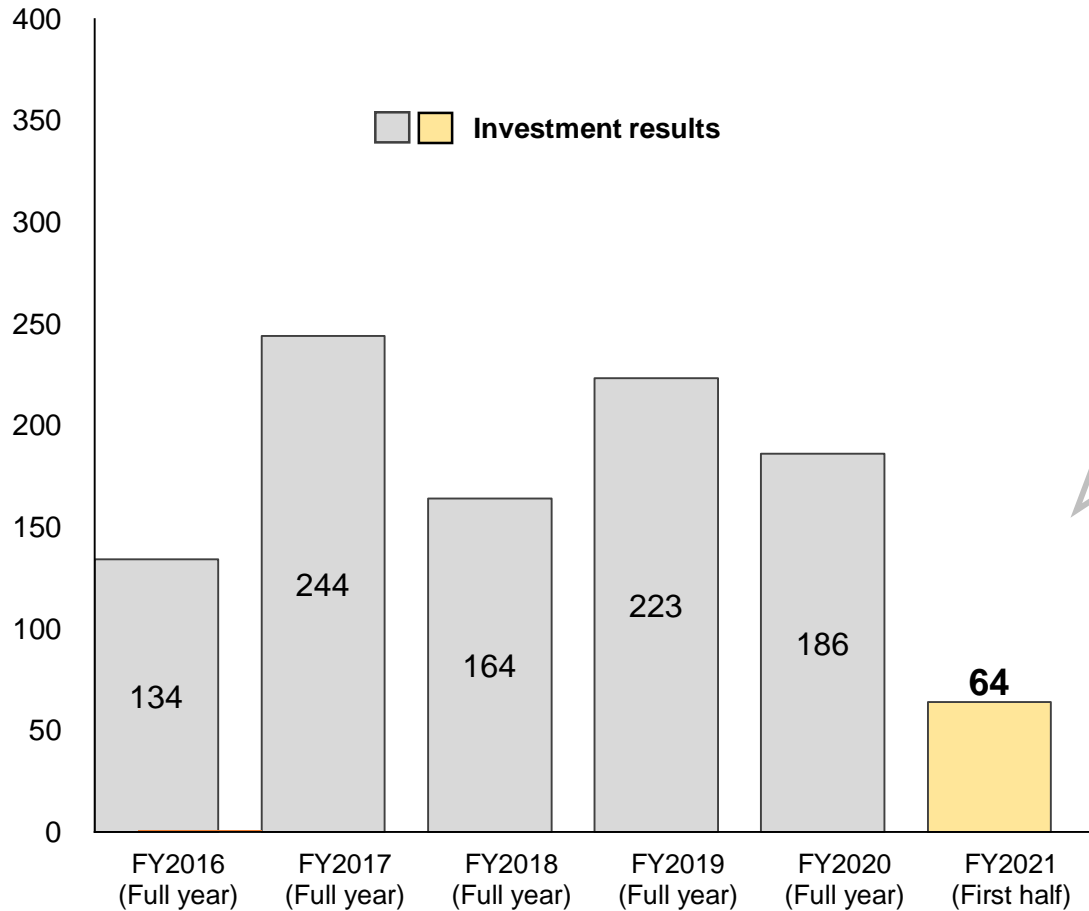
(*) Operating CF – Increase/decrease in working capital



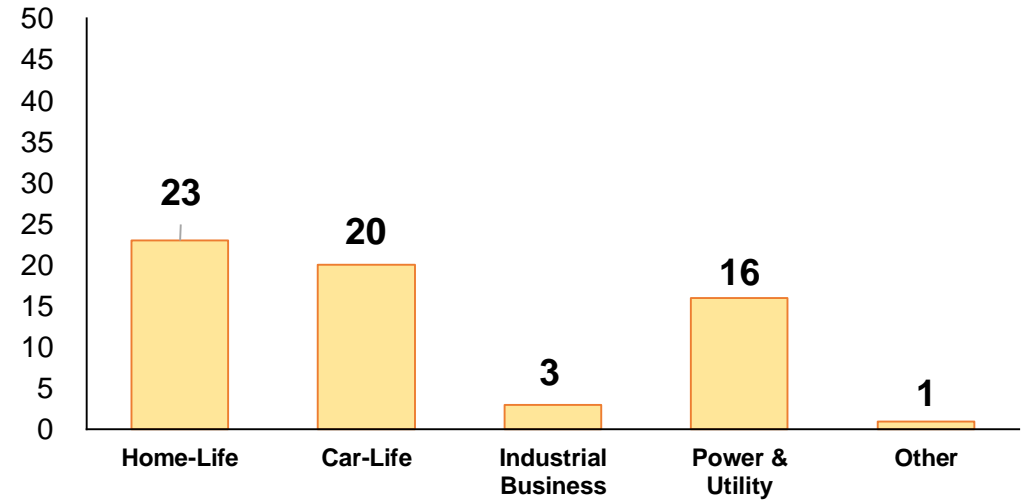
Investment Trends

Investments in maintenance of plant and equipment were started.
Growth investments are planned in 3Q or later.

Company-wide (100 million yen)



Investment results for the first half of FY2021 by segment

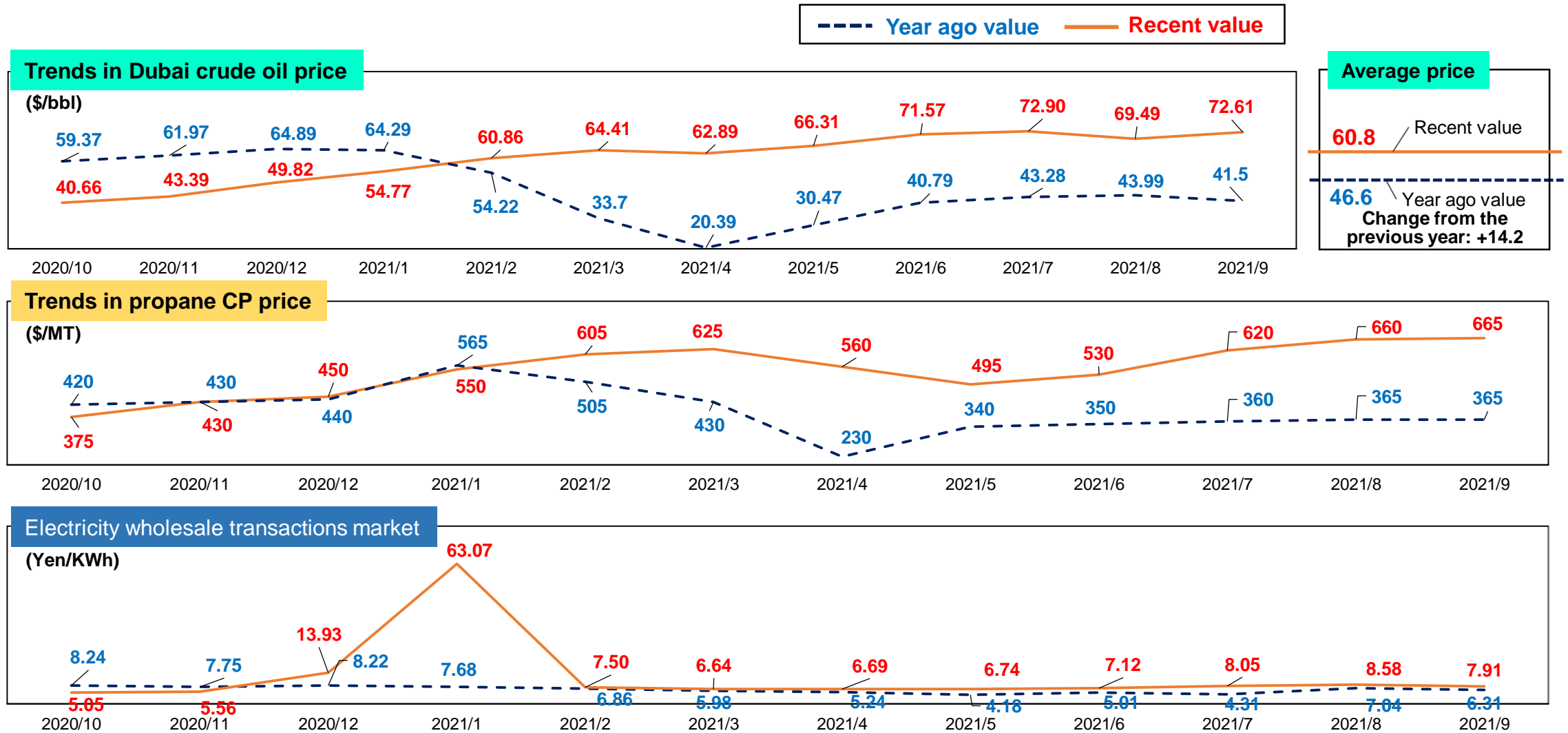


Major investment results

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

(Reference) Market Trends

Crude oil prices have been on the rise since they bottomed out at the beginning of the previous year.



Overview of Consolidated Financial Results for First Six Months of FY2021

(2) Overview by Segment

Results by Segment

(100 million yen)

		FY2020/1H Results	FY2021/1H Results	Changes	Rate of change %	FY2021 Plan	Achievement rate
Company-wide	Net sales	3,195	3,981	+786	+24.6	8,000	50%
	Operating profit	102	91	-10	-10.1	205	45%
	Net profit	62	55	-7	-11.3	125	44%
Home-Life	Net sales	302	347	+45	+14.8	—	—
	Operating profit	0	4	+3	↑	—	—
	Net profit	0	6	+5	↑	25	22%
Car-Life	Net sales	1,835	2,362	+528	+28.8	—	—
	Operating profit	34	31	-2	-6.9	—	—
	Net profit	19	16	-3	17.8	38	41%
Industrial Business	Net sales	685	904	+219	+31.9	—	—
	Operating profit	28	22	-6	-22.9	—	—
	Net profit	23	15	-8	-33.6	26	58%
Power & Utility	Net sales	374	368	-5	-1.4	—	—
	Operating profit	34	31	-3	-9.4	—	—
	Net profit	17	17	-0	-1.4	39	45%

Home-Life Division

Profit increased due to the effect of inventories reflecting rising LP gas import prices.

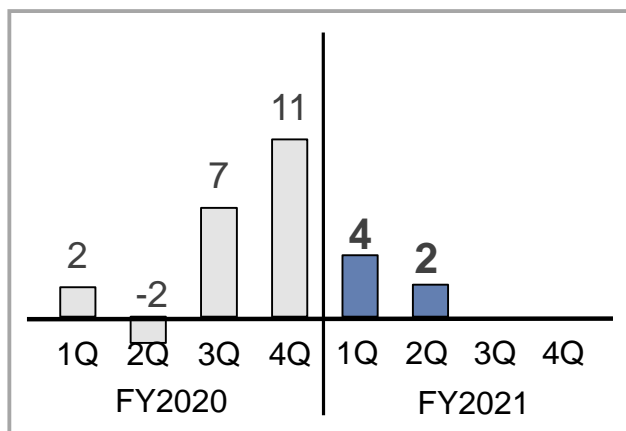
(100 million yen)

	FY2020/1H Results	FY2021/1H Results	Changes
Gross profit	92	96	+4
Selling, general and administrative expenses	-91	-93	-2
Operating profit	0	4	+3
Share of profit (loss) of investments accounted for using the equity method	2	7	+5
Net profit	0	6	+5

Major factors for increase/decrease
The number of customers under direct contract rose slightly from the end of the previous fiscal year, to approx. 553,000. For LP gas sales volume, demand for gas for business and industrial use was recovering. The overall sales volume remained unchanged from the year-ago level, reflecting decreases in wholesale sales and sales of gas for automobile use. Profit increased chiefly due to a recovery in the industrial gas business and overseas business, reflecting the resumption of normal economic activity and the effect of inventories given a rise in import prices of LP gas.

FY2021 Plan	Achievement rate
25	22%

Quarterly results (net profit)



Profit (loss) of major affiliates

	FY2020/1H Results	FY2021/1H Results	Changes
ITOCHU ENEX HOME-LIFE NISHI-NIHON	3	2	-1
ECORE (The Company's equity 51%)	2	3	+1
ENEARC (The Company's equity 50%)	2	3	+0

Number of customers (1,000)

	End of March 2021	End of September 2021	Changes
Number of customers under direct LP gas supply contracts	552	553	+1
Number of customers for electricity retail	109	114	+5

Sales volumes

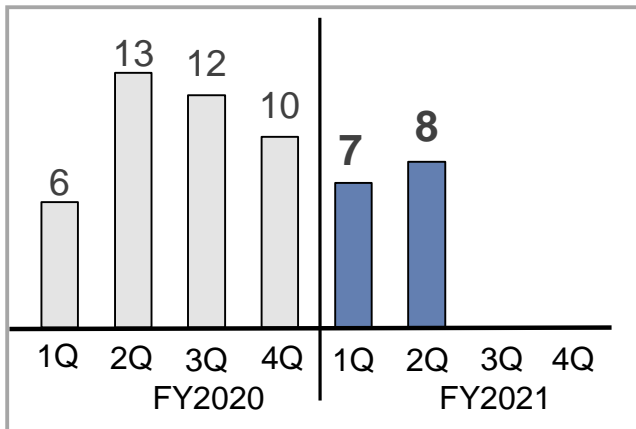
	FY2020/1H Results	FY2021/1H Results	Changes
LP gas (thousand tons)	201	199	-1%
Industrial gas (thousand tons)	33	33	+1%

Car-Life

Profit decreased due to a decline in retail margins in the oil business, despite a recovery in the car dealer business.

	FY2020/1H Results	FY2021/1H Results	Changes	Major factors for increase/decrease	(100 million yen)	
					FY2021 Plan	Achievement rate
Gross profit	223	221	-2	The number of filling stations decreased by 15 from the end of the previous fiscal year to 1,672. The sales volume of kerosene fell year on year, while demand for gasoline and diesel oil increased chiefly due to the resumption of normal economic activity. The overall sales volume of oil products increased year on year. The number of new cars sold increased year on year due to a recovery in sales of new model cars, etc. Profit declined due to the significant effect of a decrease in retail margins in the oil business, despite a recovery in the car dealer business.		
Selling, general and administrative expenses	-189	-189	-0			
Operating profit	34	31	-2			
Share of profit (loss) of investments accounted for using the equity method	0	1	+0			
Net profit	19	16	-3			38

Quarterly results (net profit)



Profit (loss) of major affiliates

	FY2020/1H Results	FY2021/1H Results	Changes
ENEX FLEET	13	6	-6
Osaka Car Life Group (The Company's equity 51.95%)	2	4	+2

Sales volumes

	FY2020/1H Results	FY2021/1H Results	Changes
Gasoline (thousand KL)	830	848	+2%
Kerosene (thousand KL)	81	63	-22%
Diesel oil (thousand KL)	963	1,006	+4%
New cars (thousand units)	11	12	+11%
Used cars (thousand units)	10	11	+5%

Industrial Business

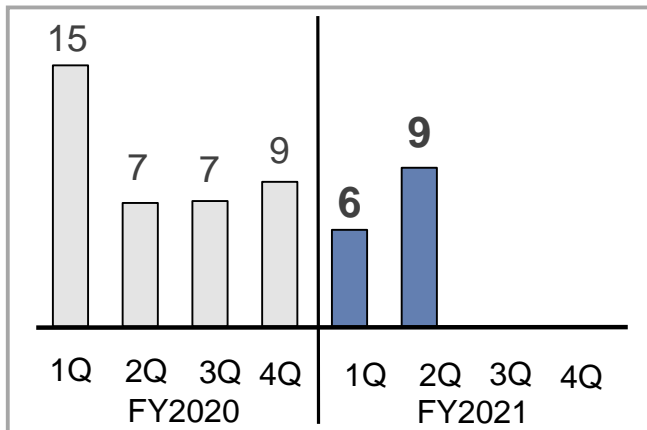
Profit decreased year on year due to the absence of temporary earnings, etc., but the asphalt business recovered.

	FY2020/1H Results	FY2021/1H Results	Changes	(100 million yen)	
Gross profit	48	46	-2		
Selling, general and administrative expenses	-20	-23	-3		
Operating profit	28	22	-6		
Share of profit (loss) of investments accounted for using the equity method	0	-0	-0		
Net profit	23	15	-8	26	58%

Major factors for increase/decrease

The sales volume in the asphalt business decreased year on year due to comprehensive measures to ensure profitable sales. Sales volume in the marine fuel business was also down year on year, as the supply of fuel for inland vessels for new routes of existing customers was offset by a decrease in the supply of fuel for ocean going vessels. The sales volume of corporate fleet refueling cards increased year on year, reflecting activities to find new customers. Profit decreased, as an increase in profit in the asphalt business was offset by the absence of the temporary earnings from operations in response to fluctuations in crude oil prices as well as financial income in the previous fiscal year.

Quarterly results (net profit)



<u>Sales volumes</u>	FY2020/1H Results	FY2021/1H Results	Changes
Gasoline (thousand KL)	355	421	+19%
Kerosene (thousand KL)	122	125	+3%
Diesel oil (thousand KL)	516	595	+15%
Heavy fuel oil (thousand KL)	1,063	812	-24%
Asphalt (thousand tons)	139	126	-10%

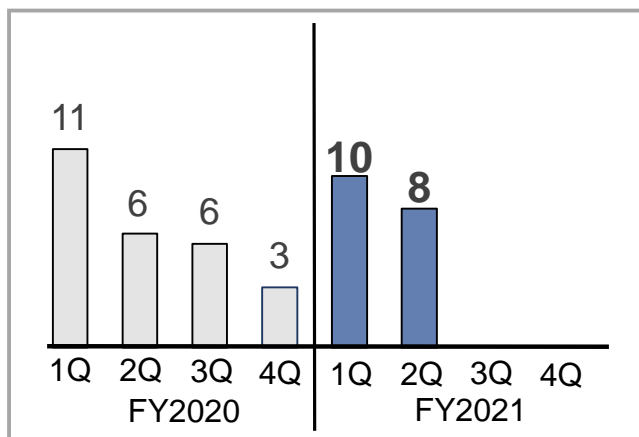
Power & Utility Division

Profit was almost the same as the year-ago level chiefly due to a rise in earnings of associates accounted for by the equity method, despite a fall in heat demand.

(100 million yen)

	FY2020/1H Results	FY2021/1H Results	Changes	Major factors for increase/ decrease	FY2021 Plan	Achievement rate
Gross profit	59	54	-5	Among electricity retail sales, high-voltage power sales volume increased year on year due to the winning of large projects. Low-voltage power sales volume increased year on year with a rise in the number of contracts, mainly for household use. Demand in the heat provision business declined year on year due to a far lower average temperature in the summer than the year-ago level. Profit was on a par with the year-ago level, with a fall in heat demand and a decline in capacity utilization at power plants due to regular inspection offset by a rise in earnings of associates accounted for by the equity method.	39	45%
Selling, general and administrative expenses	-24	-26	-1			
Operating profit	34	31	-3			
Share of profit (loss) of investments accounted for using the equity method	2	3	+2			
Net profit	18	17	-0			

Quarterly results (net profit)



Profit (loss) of major affiliates

	FY2020/1H Results	FY2021/1H Results	Changes
ENEX Electric Power Group	6	4	-1
ENEX LIFE SERVICE	2	1	-1
Tokyo Toshi Service Company (The Company's equity 66.6%)	9	8	-1
Oji-Itochu Enex power retailing Co., Ltd. (The Company's equity 60.0%)	4	4	-0

Sales volumes

	FY2020/1H Results	FY2021/1H Results	Changes	
Electricity Retail (GWh)*	1,096	1,195	+9%	
Breakdown	Sales of high voltages*	837	886	+6%
	Sales of low voltages*	259	309	+20%
Steam (thousand tons)	250	249	-0%	
Heat quantity (TJ)	755	703	-7%	

* Calculated based on preliminary values

* Electricity retail includes agency quantity.

Appendix

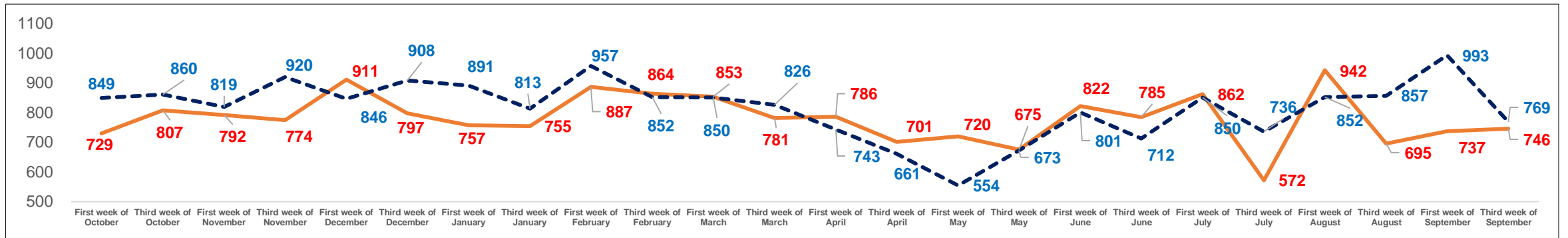
Appendix

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

Weekly shipment volume of gasoline

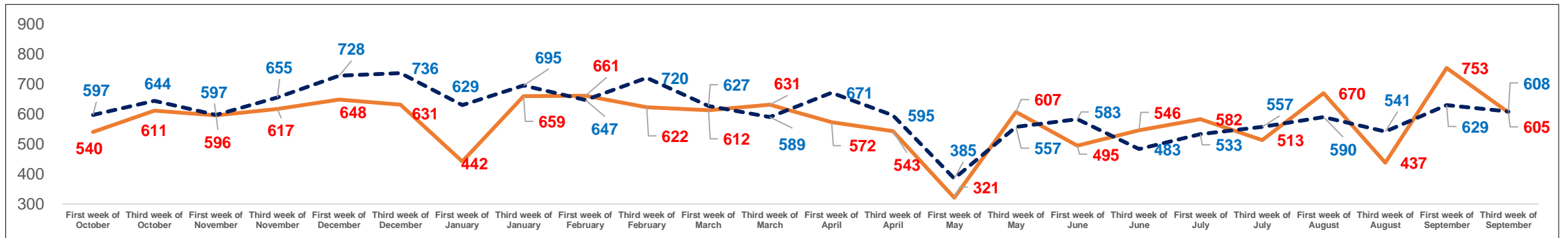
Unit: Thousand kiloliters

--- Year ago value — Recent value



Weekly shipment volume of diesel oil

Unit: Thousand kiloliters



* Created based on statistics from Petroleum Association of Japan

Appendix

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

	September			October			November			December			January			February		
	2019	2020	Changes	2019	2020	Changes	2019	2020	Changes	2019	2020	Changes	2020	2021	Changes	2020	2021	Changes
For household and business use	438	401	-8%	514	526	+2%	608	616	+1%	804	828	+3%	780	813	+4%	747	736	-1%
For cars	47	35	-26%	47	36	-23%	46	33	-28%	51	37	-27%	45	29	-36%	42	27	-36%
Total	485	436	-10%	561	562	+0%	654	649	-1%	855	865	+1%	825	842	+2%	789	763	-3%

Unit: Thousand tons

	March			April			May			June			July			August			Total		
	2020	2021	Changes	2020	2021	Changes	2020	2021	Changes	2020	2021	Changes	2020	2021	Changes	2020	2021	Changes	Year before last	Last one year	Changes
For household and business use	749	764	+2%	646	616	-5%	513	522	+2%	454	494	+9%	451	458	+2%	412	405	-2%	7,116	7,179	+1%
For cars	41	31	-24%	29	30	+3%	22	26	+18%	31	30	-3%	37	33	-11%	35	31	-11%	473	378	-20%
Total	790	795	+1%	675	646	-4%	535	548	+2%	485	524	+8%	488	491	+1%	447	436	-2%	7,589	7,557	-0%

* Created based on statistics from Japan LP Gas Association

Appendix

[Reference] Monthly sales of new cars (Standard-sized cars, compact cars and kei (light) cars) (October to September, national statistics)

	October			November			December			January			February			March					
	2019	2020	Changes	2019	2020	Changes	2019	2020	Changes	2019	2020	Changes	2019	2020	Changes	2019	2020	Changes			
Standard-sized and compact cars	165	221	+35%	206	219	+6%	195	211	+8%	193	208	+8%	233	227	-3%	322	329	+2%			
Kei cars	95	118	+24%	110	118	+7%	90	105	+17%	108	116	+7%	129	135	+5%	163	181	+11%			
Total	260	339	+30%	316	337	+7%	285	316	+11%	301	324	+8%	362	362	+0%	485	510	+5%	Unit: Thousand units		

	April			May			June			July			August			September			Total		
	2020	2021	Changes	2020	2021	Changes	2020	2021	Changes	2020	2021	Changes	2020	2021	Changes	2020	2021	Changes	Year before last	Last one year	Changes
Standard-sized and compact cars	193	208	+8%	233	227	-3%	322	329	+2%	145	183	+26%	124	166	+34%	182	198	+9%	2,525	2,590	+3%
Kei cars	108	116	+7%	129	135	+5%	163	181	+11%	75	106	+42%	51	96	+89%	102	99	-3%	1,317	1,436	+9%
Total	301	324	+8%	362	362	+0%	485	510	+5%	220	289	+32%	175	282	+50%	284	297	+4%	3,842	4,026	+5%

* Compiled based on statistical data issued by the Japan Automobile Dealers Association Japan Light Motor Vehicle and Motorcycle Association

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