

ITOCHU ENEX CO., LTD.

(TSE First Section, 8133)

FY2021 Financial Results for First Six Months

November 12, 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 12,000 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

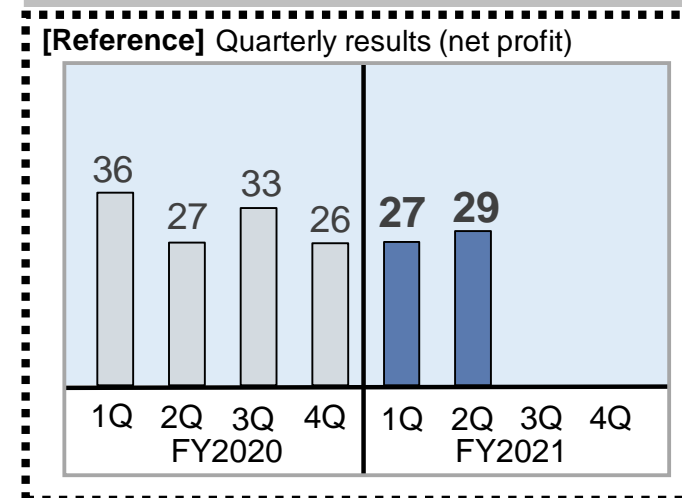
(1) Overview of the Entire Company

Summary of Financial Results for the First Six Months of FY2021

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

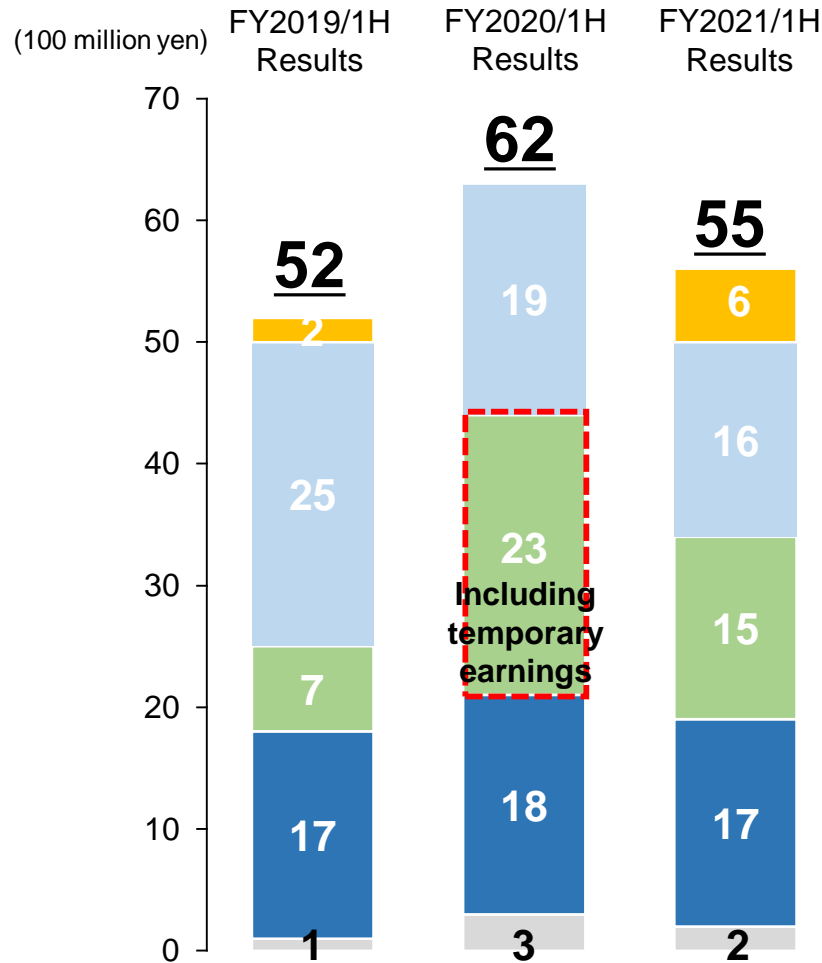
| (100 million yen) | FY2020/1H Results | FY2021/1H Results | Changes | FY2021 Plan | Achievement rate |
|---|-------------------|-------------------|---------------|--------------|------------------|
| Net sales | 3,195 | 3,981 | +786 | 8,000 | 50% |
| Gross profit | 421 | 417 | -5 | | |
| Selling, 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.

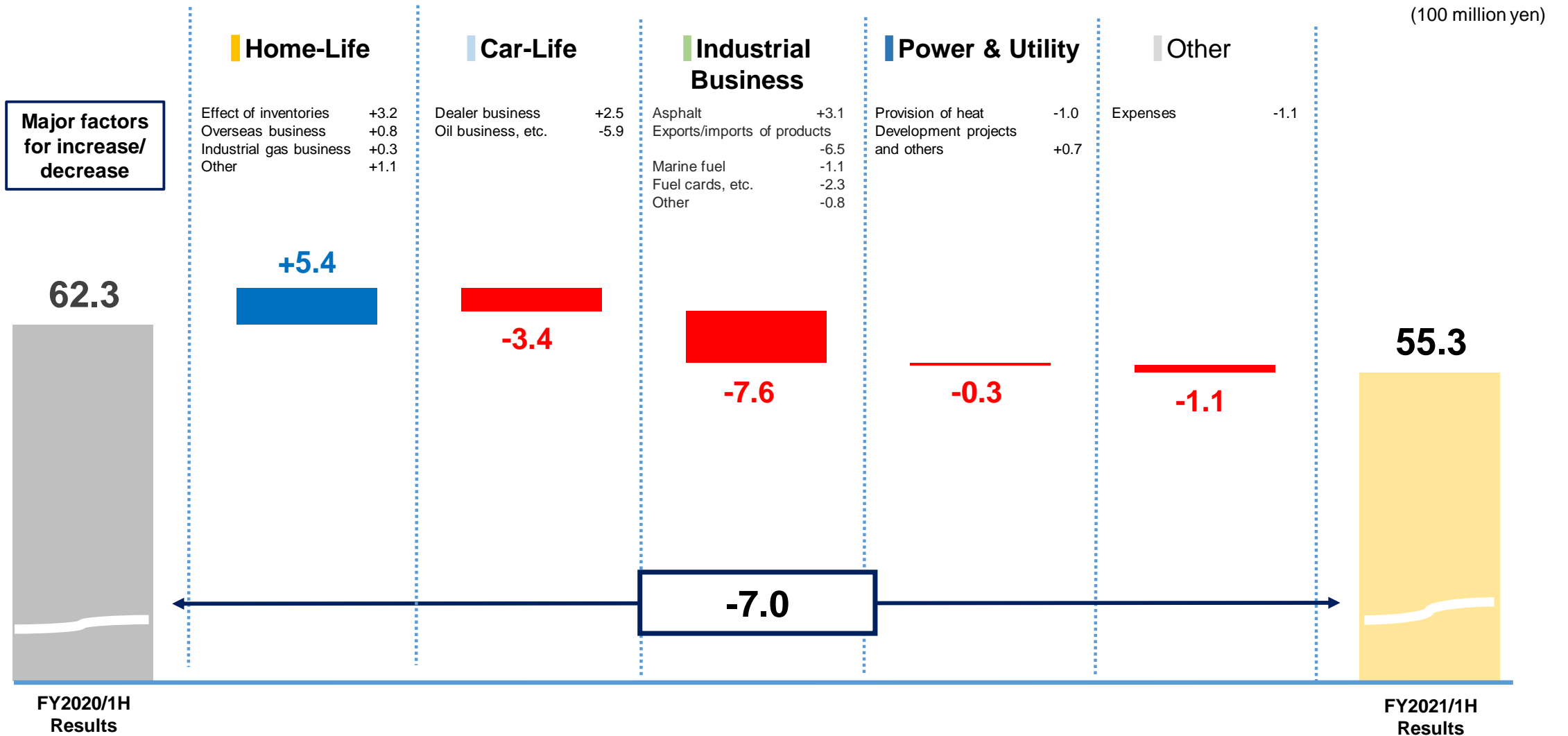
Industrial Business (YoY: -¥800 million, Percent of the plan achieved: 58%)

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

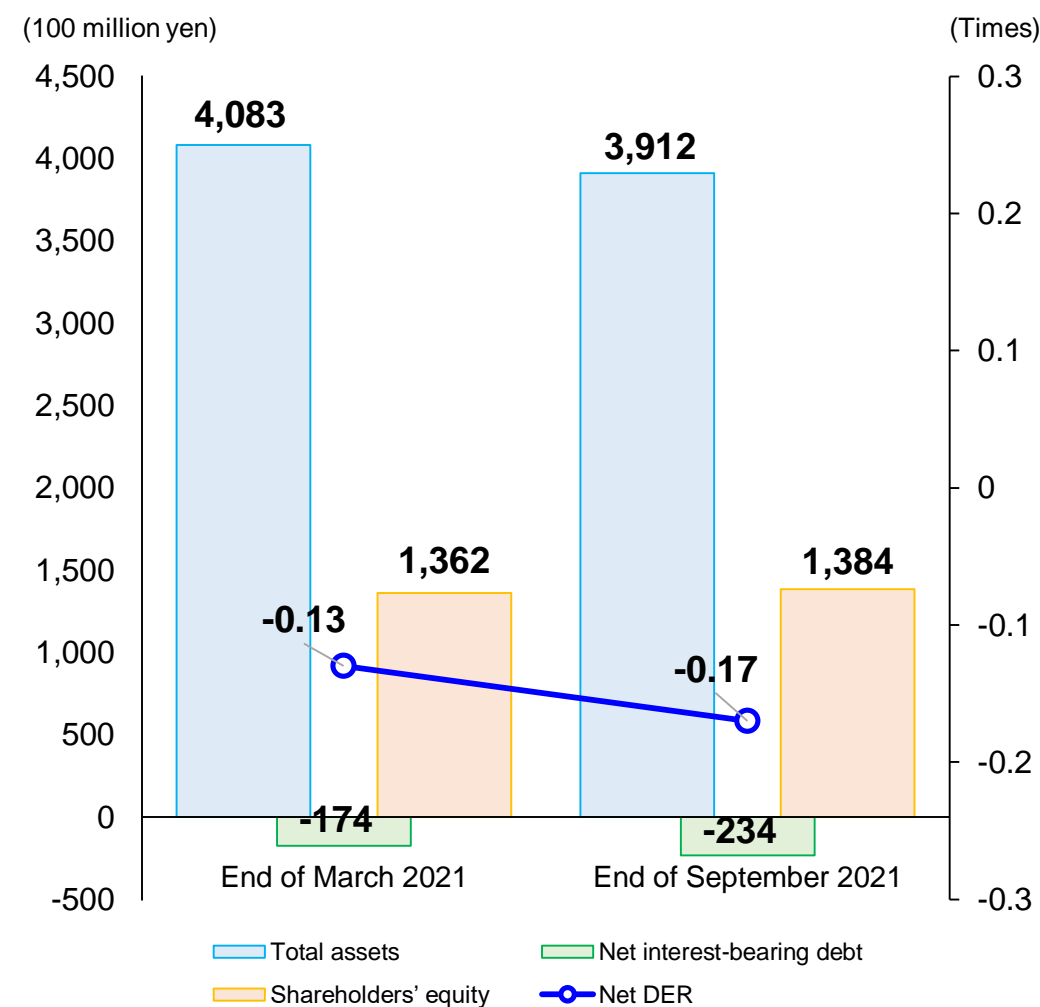


Financial Position

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

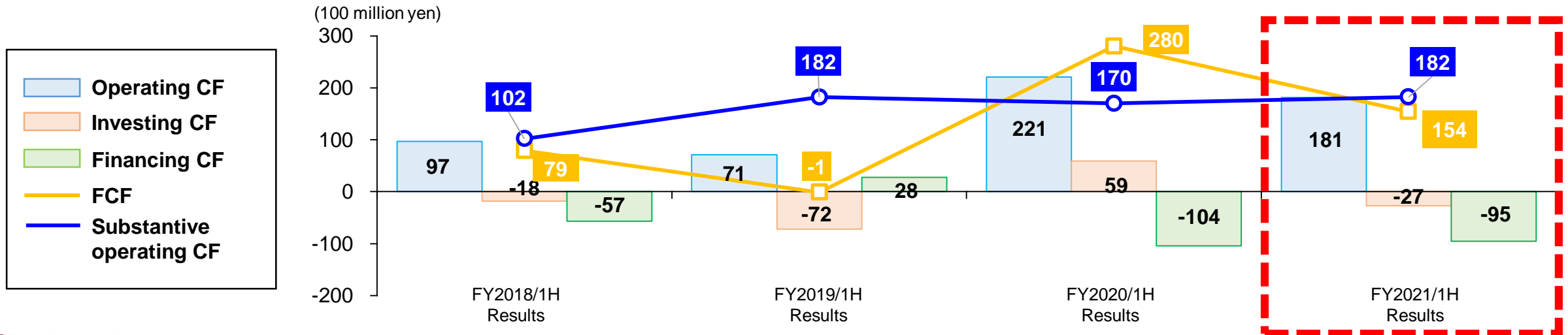
Continued to create ample cash flows from operating activities, excluding special factors.

| (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 |
|--------------------------------------|-----|-----|-----|------------|

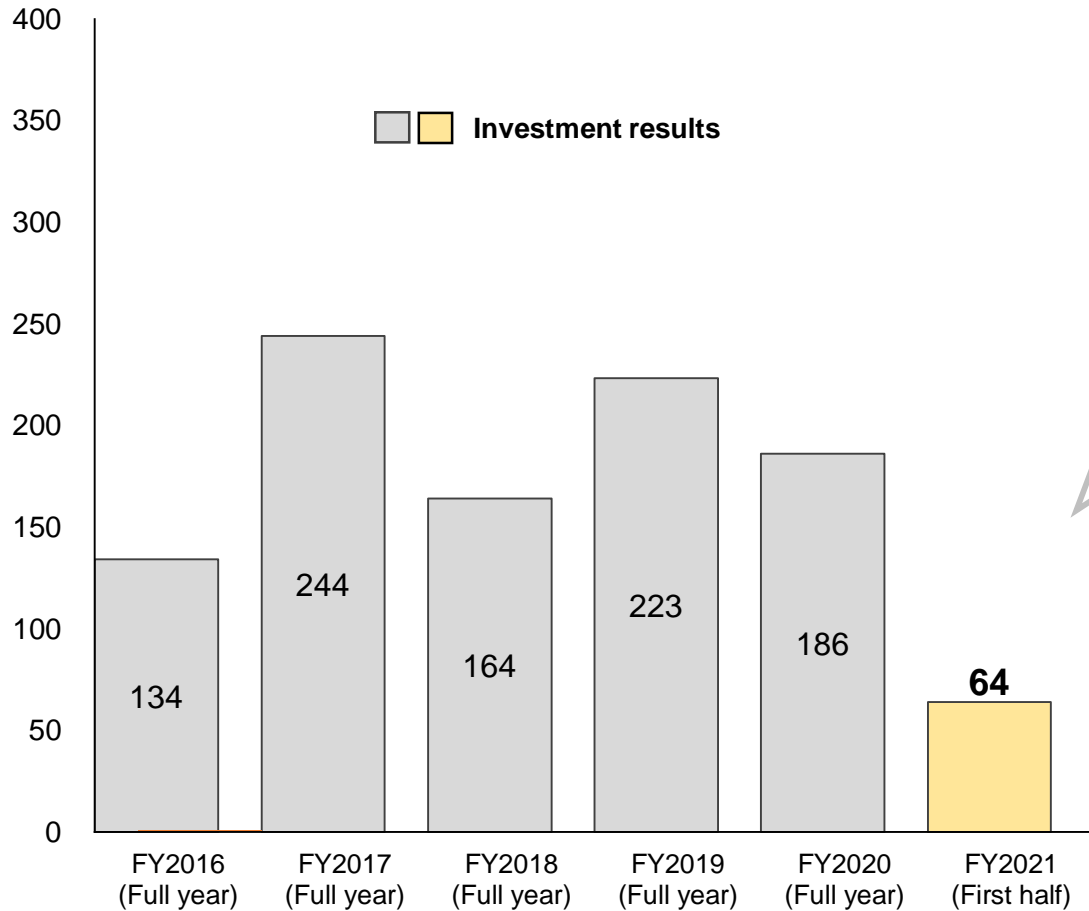
(*) Operating CF – Increase/decrease in working capital



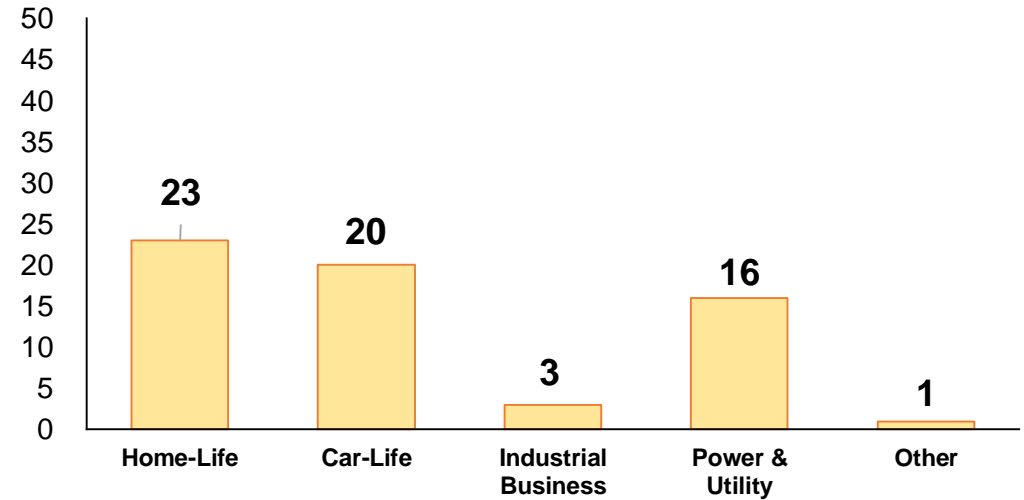
Investment Trends

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



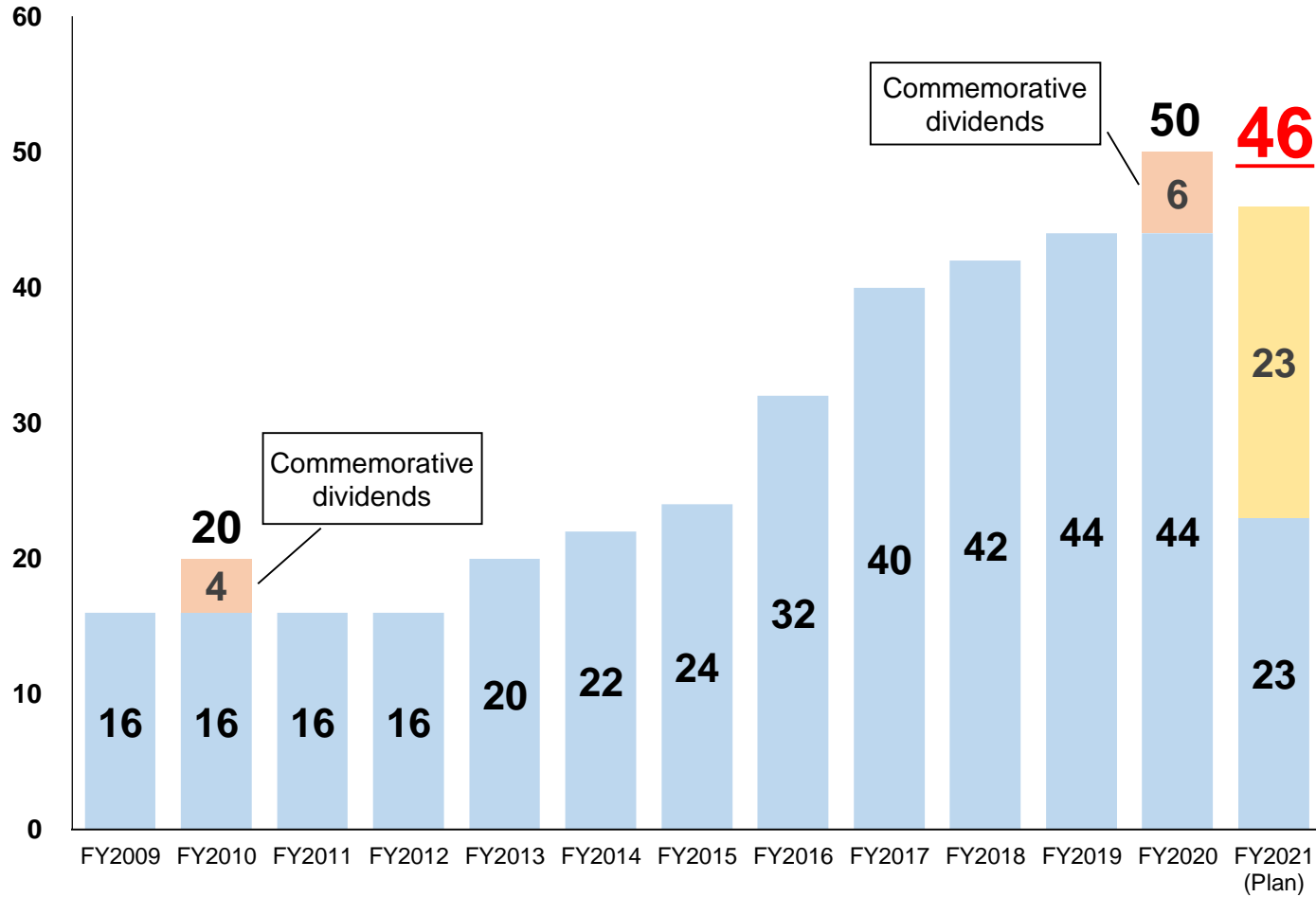
Major investment results

| | |
|---------------------|---|
| 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. |

FY2021 Shareholder Returns



The mid-term dividend and annual dividend are expected to be 23 yen and 46 yen, respectively.



| Dividend payout ratio (%) | 42.7% | 58.6% | 46.8% | 32.4% | 30.5% | 45.2% | 36.3% | 34.8% | 41.0% | 41.0% | 41.2% | 46.4% | 40% or more |
|---------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------------|
|---------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------------|

Dividend policy

Continue stable payment

Consolidated dividend payout ratio

40% or more

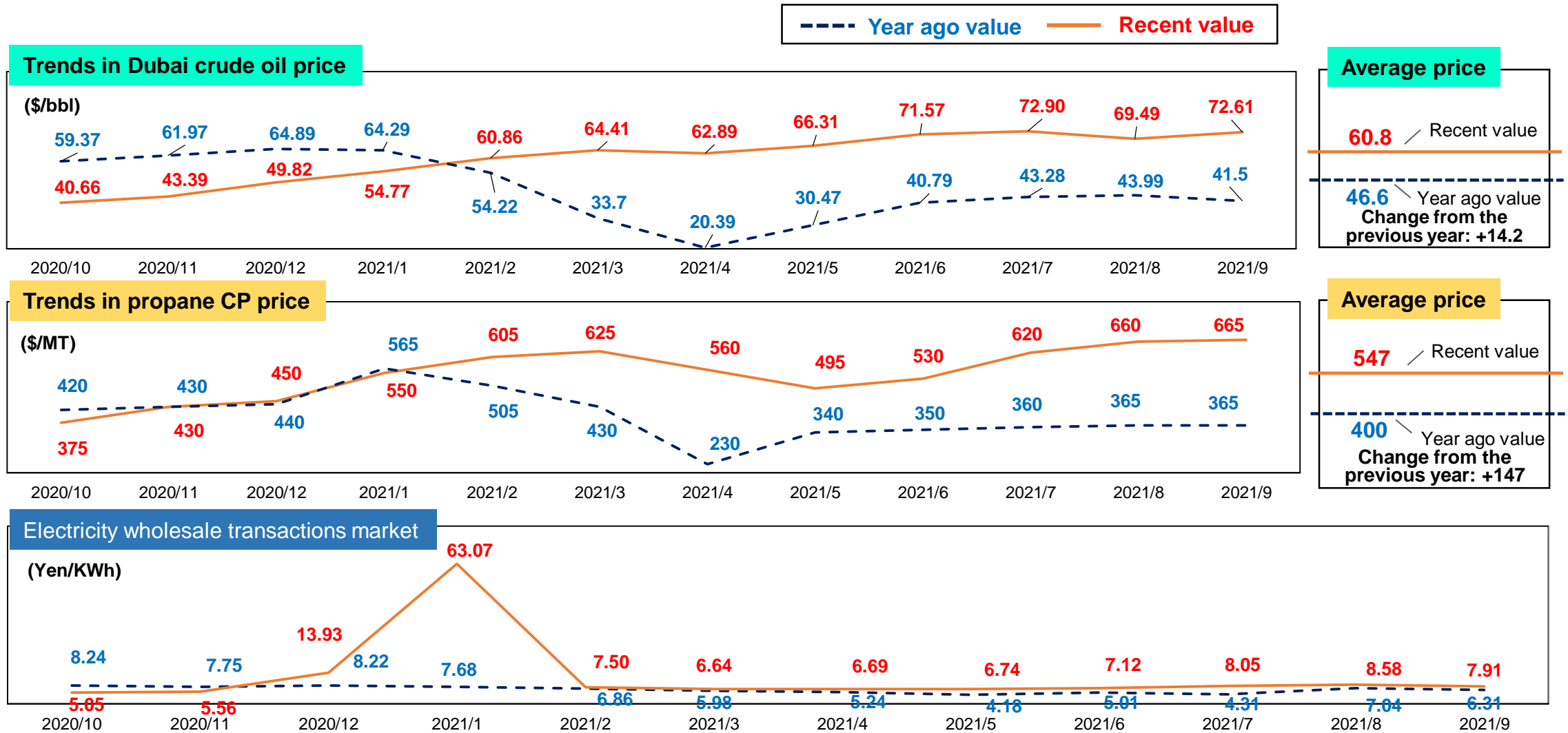
Providing shareholder returns stably under the dividend policy of ensuring the dividend payout ratio at 40% or more

Annual dividend at 46 yen will be maintained in FY2021.

(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.

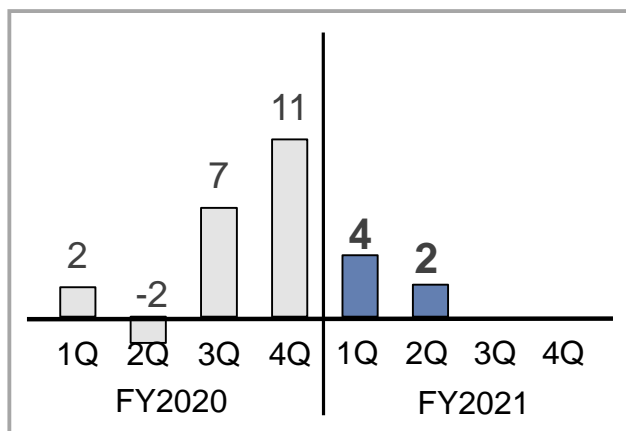
(100 million yen)

| | 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

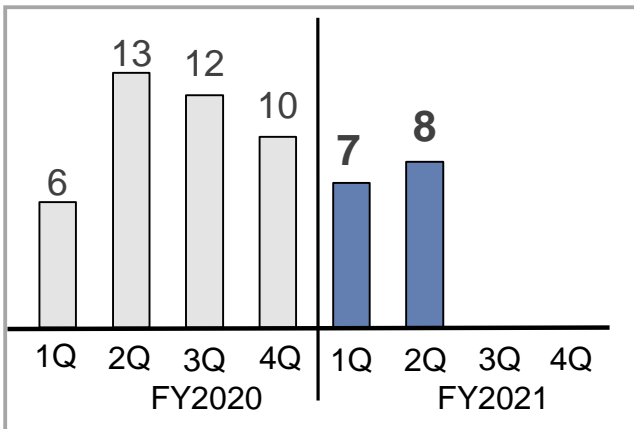
| | FY2020/1H Results | FY2021/1H Results | Changes |
|--------------------------------|-------------------|-------------------|---------|
| LP gas (thousand tons) | 201 | 199 | -1% |
| Industrial gas (thousand tons) | 33 | 33 | +1% |

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

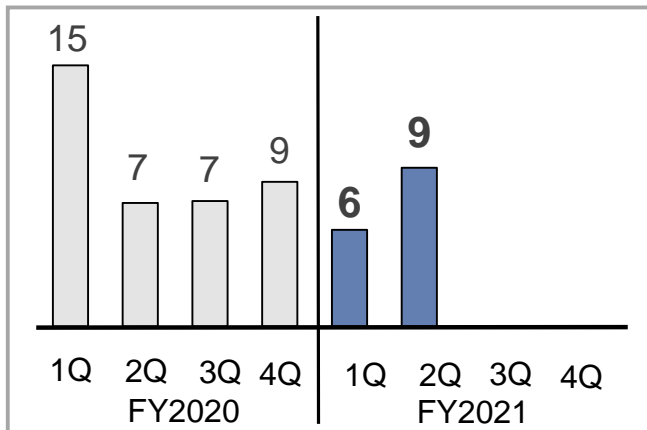
Profit decreased year on year due to the absence of temporary earnings, etc., but the asphalt business recovered.

| | 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% |

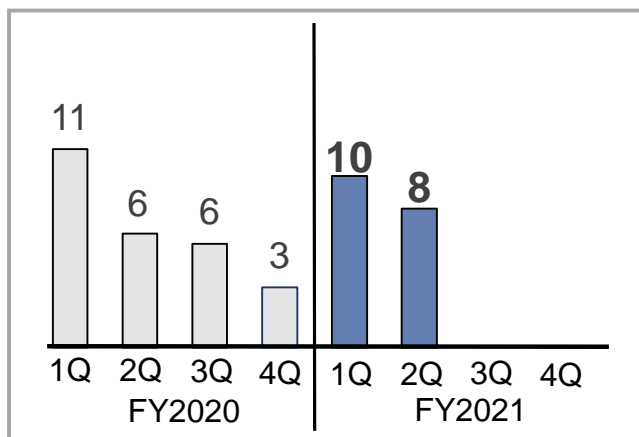
Power & Utility Division

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. | | |
| 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 | | | 39 |

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.

2. Progress on Medium-Term Business Plan

Medium-Term Business Plan, SHIFT! 2022

■ Period: Two years from April 2021 to March 2023



Quantitative Plan

Targets for FY2021

| | |
|-------------------|-----------------------------|
| Net profit | <u>¥12.5 billion</u> |
| ROE | <u>9.0% or more</u> |

Management Indicators for FY2021 to FY2022

| | |
|---|--|
| Consolidated dividend payout ratio | <u>40% or more</u> |
| Substantive operating CF | <u>¥30 billion</u> each fiscal period |
| Investment (2-year total) | <u>¥60.0 billion</u> |

Basic Policy

Maintaining and expanding bases

- Further enhancement of domestic sale network and customer base
- Active promotion of B-to-C business utilizing digital transformation
- Strengthening of overseas business development with a focus on Asia

Deepening the environment & energy businesses

- Forays into untapped areas with environmental products, electricity and various other forms of energy
- Further expansion of the electric power business from generation to selling, especially with renewable energy
- Enhancing environmental technical capabilities and expand offerings of low-carbon and decarbonized products

Cultivating next-generation human resources

- Cultivating multi-talented human resources who will flourish in Japan and overseas
- Promoting diversity and fostering a diverse range of values

Progress of Medium-Term Business Plan / Maintaining and Expanding Bases

Business alliance agreement with WP Energy



- * We acquired part of the issued shares of WP Energy Public Company Limited, a large LP gas business operator listed in Thailand, in May 2021 to enter the country's LP gas market.
- * We aim to establish an LP gas supply chain in Thailand and will consider pursuing renewable energy initiatives and expansion into neighboring countries.

Launch of new plans under TERASEL Denki

TERASEL



TERASELでんき



- * ENEX LIFE SERVICE, a group company, launched new plans under its TERASEL Denki electricity retail service.
 - ・ Cho-TERASEL Plan in July (A new plan under which the unit rate is lower for larger-consuming households)
 - ・ Cho-TERASEL Re-energy Plan in September (A new plan added with environmental value* under which virtually CO₂-free electric power is supplied)
- * Using non-fossil fuel energy certificates attesting to electricity deriving from renewable energy

Participation in truck painting business



- * In November 2021, ENEX FLEET, a group company, embarked on a truck body business, specifically a painting business.
- * With an eye towards expanding the truck transaction business and entering the truck auction business, we will work to produce synergies with existing businesses.

Progress of Medium-Term Business Plan / Deepening of the Environment & Energy Business

Gas to Liquids (GTL) fuel



A clean diesel replacement fuel with low environmental impacts refined from natural gas

- * Since it was registered on the New Technology Information System (NETIS) in 2019, its sales area has been expanded.
- * It is adopted by various corporate and other consumers across the country, including the City of Yokohama's new municipal government building and large constructors.
- * GTL fuels are recommended as part of the measures taken by the City of Yokohama government for combating global warming.
- * In November, we released Japan's first carbon-neutral GTL fuel.

AdBlue®



A high quality urea aqueous solution that decomposes and detoxifies NOx in exhaust gas from diesel vehicles

- * As of November 2021, there are 24 distribution centers in the country to transport it to every corner of the country.
- * In July 2021, we erected an AdBlue® plant to embark on the manufacturing business.
- * The five-liter container won the Minister of Economy, Trade and Industry award at the 2021 Japan Packaging Competition for its recyclability and environmental considerations.
- * ©AdBlue is a registered trademark of Verband der Automobilindustrie e.V. (VDA).

Ammonia fuel for ships



A next-generation fuel that attracts attention for emitting no greenhouse gases from ship operation

- * A council was established for the purpose of jointly considering common issues such as safety for ships, safety in supply, specifications for ammonia as a marine fuel and environmental impact assessment throughout the life cycle.
- * It was launched by 23 businesses and organizations, including us. It is now joined by 34 businesses and organizations. Deliberations are underway towards quickly realizing the use of ammonia marine fuels in society.

Renewable diesel (RD)



A next-generation fuel used for trucks, buses and other vehicles for minimizing costs

- * In May 2021, we achieved Japan's first application of renewable diesel (RD) fuel to convenience stores' delivery vehicles in collaboration with ITOCHU Corporation, FamilyMart Co., Ltd. and Neste OYJ.
- * In November 2021, we started operation of Japan's permanent RD refueling station for commercial trucks in collaboration with ITOCHU Corporation and Tohbu Network Co., Ltd.

Progress of Medium-Term Business Plan / Cultivating next-generation human resources

Promoting diversity



Motoyo Yamane,
Outside Director



Masako Iwamoto, Outside Audit
& Supervisory Board Member



- * Ms. Iwamoto was appointed as Outside Audit & Supervisory Board Member in June 2021.
(She is the second woman to be appointed as our directors and officers after Ms. Yamane, who was appointed as Outside Director in 2019.)

- * The Young Talent Appointment System commenced
- * Diversity Statement prepared

Developing multi-talented human resources



- * Overseas job training program for cultivating personnel capable of flexibly acting in overseas and other businesses
(For FY2021, six employees were dispatched to Guam, Thailand, Dubai and Singapore.)
- * A cross-functional team launched
(Forging a culture for discovering new items to be commercialized, new businesses and new structures)

3. Medium- and Long-Term Actions

Actions by the Carbon Neutral Strategy Division

■ Actions for hydrogen stations

- Constructing a hydrogen value chain (in collaboration with Air Liquide Japan G.K. and ITOCHU Corporation)
- A model hydrogen station for commercial vehicles (featuring quick refill and 24/7 operation) under discussion with car manufacturers and transport operators

■ Hydrogen and ammonia (decarbonization efforts in industrial sectors)

- A resource recycling business aimed at realizing a circular society and effectively using energy under verification
- Development and verification trial of a hydrogen or ammonia combustion system under discussion
(Deliberations started with device manufacturers and industrial customers)

■ Storage batteries

- A demonstration trial of flywheel storage batteries (planned at the beginning of 2022)
- Establishing a renewable energy business for industrial customers (e.g. a combination of photovoltaic (PV) power generation, storage batteries and electric vehicles (EVs))

■ Urban development (participation in community building towards decarbonization)

- Joining the carbon-neutral city initiative to propose decarbonization actions such as the use of hydrogen and renewable energy in mobility
- Participating in the Yokohama Smart Business Association (YSBA) organized by the City of Yokohama government



Future of Power Business

Serve 500,000 households by human and digital sales activities

- Green electric power sales
- Digital marketing
- Network of partners

ES

- PV panels for private power consumption
- Storage batteries
- Local heat supply and local production of energy for local consumption

EV

- Sharing service (B/C)
- Subscription
- V2H (Vehicle to Home)

AV (Agri-Voltaic)

- Renewable energy
- Agriculture-related
- Carbon capture and utilization (CCU)



Financial sector

Funds, solar sharing, subscription services for electric vehicles and storage batteries, and others



Power generation sector

Waste power generation, CCU, PV and others

Prospect of business expansion and investment in the next five years



B2C

Conventional power and green power retail to consumers, EV sharing, PV for home use (for direct current power supply and business continuity planning), subscription services for energy-efficient devices, and others



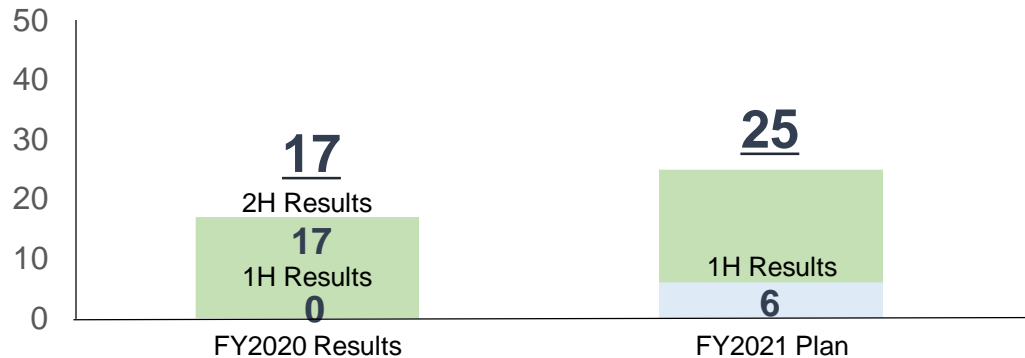
B2B

Regionally distributed energy, ES business, conventional and green electricity sales for PVB for private consumption in Japan and overseas, and others

4. Initiatives in 1H and Management Policy for 2H by Segment

Home-Life Division

Changes in quarterly net profits



Main initiatives in the first half

◆ Household retail ◆ Maintaining and cultivating the customer base and actions for the environment and energy

□ Stepping up retail sales

We expanded the platform for selling a combination of LPG with electric power and others. The LPG customer base increased by 1,000 households from the end of the previous fiscal year to 553,000 households, and the power customer base increased 5,000 households, to 110,000.

□ Reforming the retail business structure

We have set up the Platform Management Department. We are making groupwide efforts to reform the retail business model, including operational improvements.

□ LPWA gas meters introduced to regional companies for streamlining logistics and metering towards CO2 emissions reduction

We accelerated introduction of LPWA gas meters. An approximate cumulative total of 230,000 has been installed, up 73,000 from the end of previous fiscal year.

On September 30, Itochu Enex Home-Life Nishi-Nihon Co., Ltd. obtained the gold safety recognition to be a Class 1 recognized LP gas dealer.

◆ Industrial gas ◆ Expanding into businesses around industrial gas

□ New business launched

Itochu Industrial Gas Co., Ltd. opened its Nishiyoshimi Office to start a cylinder storage business and manufacturing of AdBlue®.

◆ Overseas ◆ Expanding the overseas business

□ Expand

We dispatched two more personnel to WP Energy in Thailand, in which we had invested in the previous fiscal year. Measures for business expansion are under consideration.

Management policy for the second half

Mastering (RENEWING) household retail, industrial gas and overseas businesses

◆ Household retail ◆ Act as a platform for the gas supply business for households in the whole ENEX Group

□ Developing a restructured retail business model

Disseminate the restructured retail business model to sales companies in the Group on the initiative of the Platform Management Department.

Achieve CX, gathering, accumulating and using data at multilayered touch points.

□ Accelerate installation of low power wide area (LPWA) gas meters

Continue to accelerate installation for streamlining logistics and metering (towards achieving 100% installation)

Wholly owned sales companies will work towards the goal of reaching the number of installed LPWA gas meters for acquiring so-called gold safety recognition by the end of FY2021.

The ENEARC Group will work towards the goal of reaching the number of installed LPWA gas meters for acquiring so-called silver safety recognition by the end of FY2021.

□ Strengthen customer contacts

Launch an information distribution service for LP gas operators on the social media and enrich its content.

◆ Industrial gas ◆ Enhance the functions of the industrial gas business and expand the business

□ Strengthen the supply chain

Consider streamlining of logistical functions for mainstay products and develop and carry out M&A projects.

□ Implement digitalization ahead of the industry

Launch of an e-commerce site is planned for streamlining operations, strengthening the sales promotion functions and enhancing services for customers.

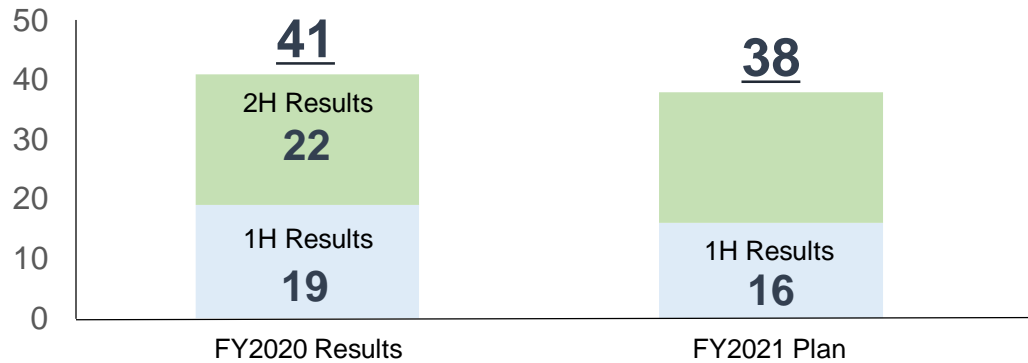
◆ Overseas ◆ Spread the expertise and implement actions based on it

□ Evolution

Thailand-based WP Energy will introduce a Japanese-style sales approach to expand its business scale while improving its operations.

Car-Life

Changes in quarterly net profits



Main initiatives in the first half

■ Maintaining the customer base

- ◇ TERASEL Denki: 2,964 subscriptions
- ◇ Corporate brokerage: 10,387 kW
- ◇ New CSs added to the affiliated network: 3
- ◇ Total number of CSs in the affiliated network: 1,672

■ Efforts continued on new businesses associated with CSs

- ◇ CSs newly introducing Smartphone fueling: 124
- ◇ Imported tires sold: 4,255
- ◇ An e-commerce site for non-petroleum products came into service in August.

■ Improve productivity through business efficiency improvement

- ◇ Actions for streamlining sales administrative operations carried out with the active use of information and digital technologies
e.g.: Online orders and introduction of electronic invoices
- ◇ Efficient sales activities that use real activities and virtual spaces properly
e.g.: Holding of the kickoff meeting online

Management policy for the second half

Shrinking demand and growing Car Life: Maintain the platform and invest in growth

■ Respond to shrinking demand for petroleum products

- ◇ Continue new business expansion around Car Life Stations (CSs) to increase transactions in the affiliated network.
- ◇ Expand the scale of the fleet business
- ◇ Positively introduce information and digital technologies to accelerate operational streamlining.

■ Invest positively in growing businesses

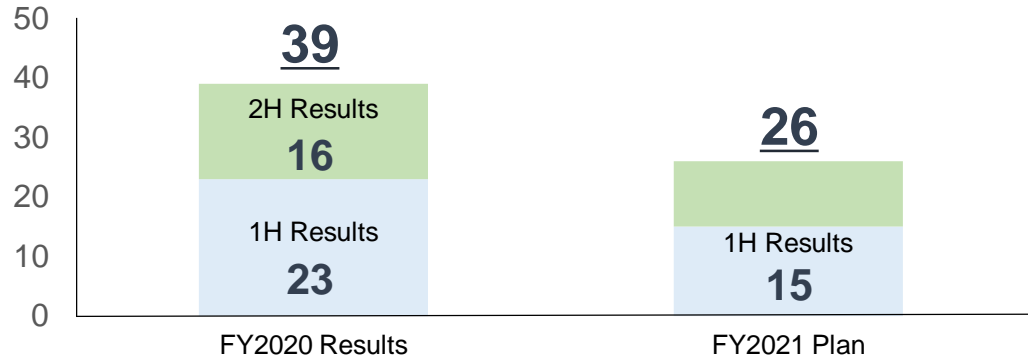
- ◇ Expand new businesses centering on mobility.
- ◇ Invest positively for expanding car and truck trading and peripheral businesses.
- ◇ Strengthen the the car dealer business centered around Nissan Osaka.

■ Preparations for the future

- ◇ Cultivate overseas business (Enex Fleet Vietnam and IP&E Palau)
- ◇ Continue to enlarge TERASEL Denki

Industrial Business

Changes in quarterly net profits



Main initiatives in the first half

- **Expand products that reduce the environmental impact**
 - ◇ **Structure for supplying AdBlue® expanded**
 - A new AdBlue® manufacturing plant constructed in Saitama in collaboration with Itochu Industrial Gas Co., Ltd.
 - We entered the manufacturing domain and diversified procurement to establish a competitive advantage and to build a solid supply system.
 - ◇ **Foundations enlarged for GTL sales expansion**
 - To expand the delivery area, new shipping points were launched at Hiroshima and at Moji and sales activities commenced.
- **Transition to a decarbonized society pushed**
 - ◇ **Renewable fuel supply business commenced**
 - We embarked on a full-scale renewable fuel business in partnership with ITOCHU Corporation.
 - The service for convenience stores' delivery vehicles for FamilyMart Co., Ltd.

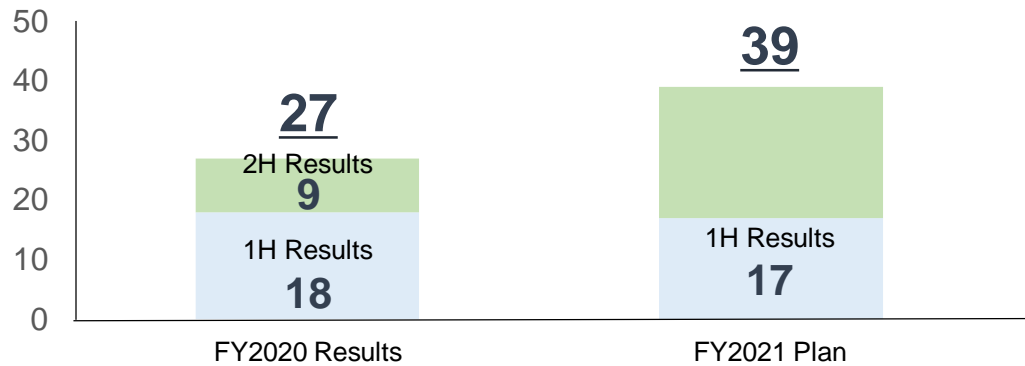
Management policy for the second half

Combining Professional Expertise and Environmental Technology for a Carbon-Free Society

- **Changing the structure of existing business and enhancing profitability**
 - ◇ **Accelerate the digital shift of existing businesses for streamlining**
 - ◇ **Increase products and services with low environmental impacts amid mounting demand for them**
 - Continuously enlarge the supply area of GTL fuels (service for Hokkaido under consideration)
 - Start dealing with carbon-neutral GTL fuels
 - Increase the number of filling stations for renewable fuels (A station to be launched in Kanagawa in November)
 - Construct and improve the system for supplying AdBlue® (An SP to be launched in Shizuoka Prefecture in November)
 - Study participation in caustic soda dilution and expansion into peripheral businesses
 - Sign a memorandum of understanding for joint study regarding LNG fuels for ships with Kyushu Electric Power Co., Inc., Nippon Yusen K.K. and Saibu Gas Co., Ltd.
 - Embark on full-scale consideration of LNG bunkering in the Kyushu and Setouchi regions
- **Creating new businesses (environment, technology, co-creation)**
 - ◇ **Create businesses helpful to a carbon-free society**
 - Develop personnel with environmental expertise
 - Quickly launch a business for CO2 visualization and reduction solutions through multi-industrial collaboration
 - Discover new fuels

Power & Utility Division

Changes in quarterly net profits



Main initiatives in the first half

- Cho-TERASEL plan and Cho-TERASEL Re-energy plan launched for TERASEL Denki operated by Enex Life Service Co., Ltd.
- First PV panels for private consumption installed on the Nishinomiya CS run by Enex Fleet Co., Ltd.
- Reliance Energy Okinawa, Inc., an affiliate of Tokyo Toshi Service Company, commenced its energy service at its sixth location.
- Construction of a 65-megawatt large photovoltaic facility reached completion in the city of Takasaki in Gunma Prefecture. It commenced operation in September.

Management policy for the second half

Power to Connect Customers, Environmental Business for the Future

[PU Vision] Contribute to life in local communities and the environment

- Serve 500,000 households by human and digital sales activities
 - Green electric power· Digital marketing· Network of partners
- Invest in energy service (ES)
 - PV panels for private power consumption· Storage batteries· Local heat supply and local production of energy for local consumption
- Focus technological strength on EVs and IT
 - Sharing service· Subscription· V2H
- Invest in renewable energy (RE) and Agri-Voltaic (AV)
 - Agriculture-related· CCU

Appendix

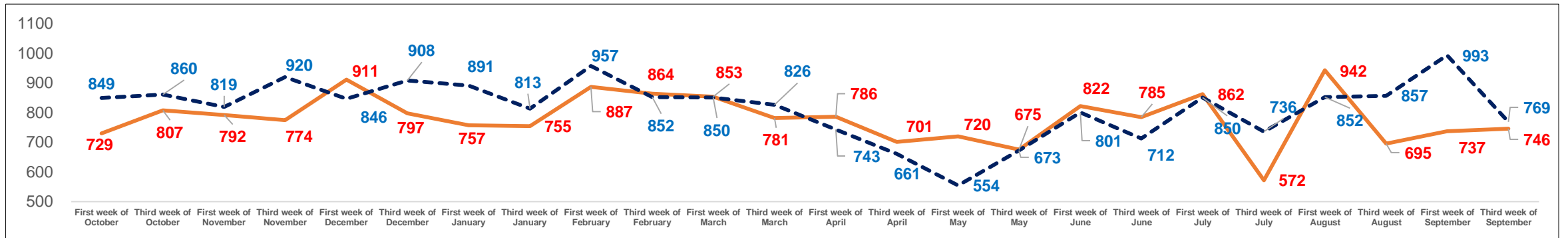
Appendix

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

Weekly shipment volume of gasoline

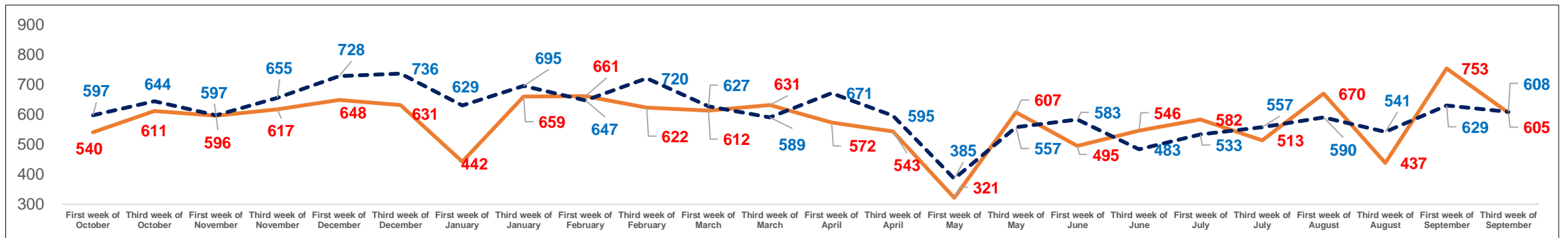
Unit: Thousand kiloliters

--- 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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