

This document is an English translation of financial results report released on April 26, 2019 and written initially in Japanese. The Japanese original should be considered as the primary version.



April 26, 2019

Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 <under IFRSs>

Company name: **Itochu Enex Co., Ltd.**
 Listing: Tokyo Stock Exchange, 1st Section
 Stock code: 8133
 URL: <https://www.itcenex.com/english/>
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Scheduled date of ordinary general meeting of shareholders: June 19, 2019
 Scheduled date to commence dividend payments: June 20, 2019
 Scheduled date to file annual securities report: June 19, 2019
 Preparation of supplementary results briefing material on financial results: Yes
 Holding of financial results presentation meeting: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Total trading transactions		Profit from operating activities		Profit before tax		Net profit		Net profit attributable to Itochu Enex's shareholders		Comprehensive income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2019	1,244,260	7.6	17,851	4.1	19,414	1.3	13,665	3.3	11,559	4.8	13,150	(4.2)
March 31, 2018	1,156,344	12.4	17,153	(12.8)	19,169	(0.9)	13,224	3.8	11,025	6.0	13,729	3.0

	Basic earnings per share attributable to Itochu Enex's shareholders	Diluted earnings per share attributable to Itochu Enex's shareholders	Return on equity obtained as the net profit attributable to Itochu Enex's shareholders to total shareholders' equity	Ratio of profit before tax to total assets	Ratio of profit from operating activities to total trading transactions
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2019	102.40	—	9.7	5.1	1.4
March 31, 2018	97.63	—	9.8	5.3	1.5

Reference: Revenue

For the fiscal year ended March 31, 2019: 1,007,086 million yen
 For the fiscal year ended March 31, 2018: 744,767 million yen
 Share of profit (loss) of investments accounted for using equity method
 For the fiscal year ended March 31, 2019: 1,565 million yen
 For the fiscal year ended March 31, 2018: 493 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	Shareholders' equity per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
March 31, 2019	374,373	144,566	122,290	32.7	1,083.37
March 31, 2018	382,621	137,066	116,104	30.3	1,028.57

(3) Consolidated cash flows

	Net cash flows from (used in) operating activities	Net cash flows from (used in) investing activities	Net cash flows from (used in) financing activities	Cash and cash equivalents at end of the period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2019	25,403	(13,410)	(15,857)	18,725
March 31, 2018	24,239	(18,458)	(5,850)	22,573

2. Cash dividends

	Annual cash dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of total amount of dividends to total shareholders' equity (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2018	—	16.00	—	24.00	40.00	4,520	41.0	4.0
March 31, 2019	—	20.00	—	22.00	42.00	4,745	41.0	4.0
Fiscal year ending March 31, 2020 (Forecast)	—	21.00	—	21.00	42.00		40.2	

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
Six months ending September 30, 2019	—	—	—	—	—	—	—	—	—
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: The Company's performance is evaluated on a fiscal year basis. Accordingly, consolidated earnings forecasts for the first six months of fiscal year are not prepared.

*** 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 “3. Consolidated Financial Statements and Significant Notes Thereto, (5) Notes to Consolidated Financial Statements” 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 March 31, 2019	116,881,106 shares
As of March 31, 2018	116,881,106 shares

b. Number of treasury stock at end of period

As of March 31, 2019	4,002,462 shares
As of March 31, 2018	4,002,135 shares

c. Average number of outstanding shares during period

Fiscal year ended March 31, 2019	112,878,838 shares
Fiscal year ended March 31, 2018	112,921,238 shares

*** Note on financial results**

Ordinary profit and net profit were more than the results for the previous fiscal year due to special dividends received from subsidiaries.

* Financial results reports are exempt from audit 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. Overview of Operating Results and Others, (1) Overview of Operating Results for the Fiscal Year Ended March 31, 2019” on page 2 of the attached materials for matters relating to earnings forecasts.

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1. Overview of Operating Results and Others

(1) Overview of Operating Results for the Fiscal Year Ended March 31, 2019

The Group has adopted IFRS 15 “Revenue from Contracts with Customers” from the fiscal year ended March 31, 2019. For the details of the impact of the adoption of IFRS 15, please refer to “3. Consolidated Financial Statements and Significant Notes Thereto, (5) Notes to Consolidated Financial Statements, Changes in Accounting Policies.”

1) Results of operations

During the fiscal year ended March 31, 2019, the tone of the Japanese economy was one of moderate recovery, driven by favorable corporate earnings and other factors. However, the outlook for the economy remained uncertain due to risks of a slowdown in the global economy, stemming from such issues as the impact on the global economy of the United States-China trade issue trend and uncertainties in overseas economies.

In this environment, the Itochu Enex Group announced its two-year medium-term business plan “Moving 2018 Connecting to the future” in April 2017, and has advanced its business based on the following basic policies:

<1> “Connecting to future growth” — Reforming the revenue base —

- (1) Optimizing resources
- (2) Improving profitability
- (3) Developing the customer base

<2> “Connecting people and functions of the Group” — Reforming the organizational base —

- (1) Reinforcing organizational strength
- (2) Nurturing autonomous human resources
- (3) Promoting ENEX EARLY BIRD, a Plan to Transform Our Approach to Work

The operating results for the fiscal year ended March 31, 2019 are as follows.

Revenue was ¥1,007,086 million (up 35.2% year on year), due mainly to the impact resulting from the increase in prices of domestic petroleum products in the Life & Industrial Energy Division.

Profit from operating activities was ¥17,851 million (up 4.1% year on year), due mainly to higher profit in the petroleum product sales field of the Life & Industrial Energy Division, while profit fell in the electricity sales field of the Power & Utility Division.

Net profit attributable to Itochu Enex’s shareholders was ¥11,559 million (up 4.8% year on year), achieving a new record-high profit for a fourth consecutive year.

2) Results of operations by segment

Results of operations by segment are as follows. Following the reorganization of the Group carried out in April 2018, the reportable segments have changed. As part of the reorganization, the Life & Industrial Energy Division was newly established by integrating the former Life Energy & Logistics Division and the Industrial Energy & Logistics Division. In addition, we newly established the Mobility Life Department.

In line with this, the classification of reportable segments has been changed from the previous Home-Life Division, Power & Utility Division, Life Energy & Logistics Division and Industrial Energy & Logistics Division to the Home-Life Division, Life & Industrial Energy Division, Power & Utility Division and Mobility Life Department from the fiscal year ended March 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 fiscal year ended March 31, 2019, the number of customers under direct LP gas supply contracts increased by around 4,000 to approximately 551,000. Due to the impact of natural disasters and the warm winter, sales volumes fell year on year, despite which we were able to secure a certain level of profitability.

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 28,000 for a total of approximately 81,000.

In peripheral areas other than LP gas, the solid order flows received in the industrial gas sales business and the container inspection business led to robust revenue.

In overseas businesses, we are continuing to use the know-how developed in Japan at our industrial gas sales business in Indonesia (PT. ITC ENEX INDONESIA) and at our LP gas sales business in the Philippines (Isla Petroleum & Gas Corporation) and going forward, we will continue to expand these businesses.

As a result of these activities, the operating results for the fiscal year ended March 31, 2019 are as follows.

Revenue was ¥94,350 million (down 3.5% year on year), due mainly to the transition of three subsidiaries in the Tokyo, Nagoya and Osaka areas to associates accounted for by the equity method in conjunction with the reorganization and integration with the Osaka Gas Group in October 2017.

Profit from operating activities was ¥3,555 million (up 13.8% year on year), due mainly to the division's success in securing a certain level of profitability, despite the effects of reorganization and integration.

Net profit attributable to Itochu Enex's shareholders was ¥3,068 million (down 19.2% year on year), due mainly to the reaction to the profits recognized in the previous fiscal year related to the reorganization and integration, despite an increase in earnings of associates accounted for by the equity method.

Life & Industrial Energy Division

During the fiscal year ended March 31, 2019, the Life & Industrial Energy Division worked to maintain and expand its sales base in each business and geographical area, despite an environment characterized by structural downturn in demand for oil, and by industry reorganizations, such as polarization among wholesalers.

The division is developing its business with the goal of even closer involvement in the lives of local communities and local industries, and is striving to further enhance the functionality and to create value of each of its businesses.

In the Group's Car-Life Stations (CS)*¹ business, which has a high level of engagement with people in local communities, we will use dealerships and group companies' CS outlets not only for our original energy supply services, but also to provide other services required by local communities, working with the operators to fulfill our goal of creating locations that provide lifestyle infrastructure to such communities. During the fiscal year ended March 31, 2019, the total number of Group's CS was 1,766. This net decrease of 46 from the end of the previous fiscal year was largely caused by withdrawals from unprofitable CS. In addition, the number of dealerships that have introduced the Carlife Stadium car rentals system being deployed by the Group has now reached 399, a net increase of 29 over the end of the previous fiscal year.

In the business related to local industries, we have taken a comprehensive approach to promoting AdBlue*², the business user electricity supply business, and other diverse products and services, in addition to existing businesses.

In terms of initiatives in the environmental-related business, we are moving forward with activities that lead to reductions in the burden on the environment, such as a slop and oil recycling business in which waste oil recovered from ships is recycled and sold, and the fly ash business, which recycles and sells coal ash discharged from the Company's thermal power plants.

As a result of these activities, the operating results for the fiscal year ended March 31, 2019 are as follows.

Revenue was ¥707,661 million (up 51.2% year on year), due mainly to the impact on price resulting from the increase in prices of domestic petroleum products.

Profit from operating activities was ¥9,153 million (up 15.3% year on year), due mainly to the effect of improvements in retail market conditions, and the reaction to one-off losses recognized in the previous fiscal year.

Net profit attributable to Itochu Enex's shareholders was ¥6,185 million (up 17.0% year on year), due mainly to the same reasons as the impacts on profit from operating activities described above.

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

*2 AdBlue is a high-grade urea solution used in SCR systems, which detoxifies nitrogen compounds (NOx) contained in exhaust gases of diesel vehicles.

Power & Utility Division

In the Power & Utility Division during the fiscal year ended March 31, 2019, the electricity sales field of the electric power business, recorded growth in sales to both business users and households, resulting in year-on-year growth in retail electricity sales volumes. However, the volatility of the spot market and intensified price competition led to a decline in profit over the previous fiscal year. In this field, ENEX LIFE SERVICE CO., LTD. will lead efforts to form alliances with companies that have strong customer bases in certain areas and with companies in other industries, and promote the investigation of new value proposals by developing electricity sales, with some additional value-added component, to households and small companies, while at the same time shifting away from electricity sales to large companies, which is an area in which price competition has been intensifying.

In the power generation field, total power generation increased from the previous fiscal year due to the start of operations at a new power plant in October 2017, leading to an increase in profit year on year. Our goal is to ensure stable supplies of electricity and reduce environmental impacts. An example of this is a program of improvements we are carrying out one by one at deteriorating power generation facilities to raise their efficiency.

In the financial services field, in February 2019, Enex Infrastructure Investment Corporation, to which the Company's subsidiary Enex Asset Management Co., Ltd. provides asset management services on consignment, listed on the Tokyo Stock Exchange Infrastructure Fund Exchange. Enex Infrastructure Investment Corporation aims to invest in and manage properties such as renewable energy power generation facilities, concentrating on solar power generation facilities and related infrastructure, and steadily expand the scale of its portfolio and generate stable cash flow.

In the heat supply business^{*3}, due to the effects of fierce heat last year, demand for heat increased over the previous fiscal year. The division will continue its efforts to develop as a comprehensive energy services business^{*4}, so as to be able to respond to the increasingly diverse needs of customers in this field.

As a result of these activities, the operating results for the fiscal year ended March 31, 2019 are as follows.

Revenue was ¥93,459 million (up 25.4% year on year), due mainly to an increase in retail electricity sales volumes.

Profit from operating activities was ¥2,728 million (down 41.0% year on year), due mainly to lower profit in the electric power business resulting from falling profitability in the areas of sales and supply/demand management, and from declining profit from interconnected power line management.

Net profit attributable to Itochu Enex's shareholders was ¥1,970 million (down 10.9% year on year), due mainly to the same reasons as the impacts on profit from operating activities described above.

*3 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.

*4 Energy services business: The energy services business owns electric and heat source facilities, etc. and supplies cold and hot air-conditioning water, hot water for hot-water supply, steam and others on behalf of customers in the use of energy.

Mobility Life Department

The Mobility Life Department enjoyed strong sales during the fiscal year ended March 31, 2019 due to sales of popular cars such as Note, Serena and Leaf at OSAKA CAR LIFE GROUP CO., LTD., a subsidiary, in the car dealer business. The “Nissan Osaka Sales e-Denki” initiative, implemented as part of our efforts to strengthen the customer base, has also been successful.

As a result of these activities, the operating results for the fiscal year ended March 31, 2019 are as follows.

Revenue was ¥111,616 million (up 7.0% year on year), due mainly to the strong performance of the car dealer business.

Profit from operating activities was ¥2,351 million (up 15.6% year on year), due mainly to higher profit in the car dealer business resulting from solid sales of highly profitable vehicle models.

Net profit attributable to Itochu Enex’s shareholders was ¥319 million (up 63.5% year on year), due mainly to an increase in profit in the car dealer business.

3) Forecasts of consolidated financial results for the fiscal year ending March 31, 2020

In the forecast for consolidated financial results for the fiscal year ending March 31, 2020, we project ¥1 trillion in revenue, down 0.7% year on year, ¥16,500 million in profit from operating activities, down 7.6% year on year, ¥19,200 million in profit before tax, down 1.1% year on year, and ¥11,800 million in net profit attributable to Itochu Enex’s shareholders, up 2.1% year on year.

Basic earnings per share attributable to Itochu Enex’s shareholders are projected at ¥104.54.

(2) Overview of Financial Position for the Fiscal Year Ended March 31, 2019

1) Analysis of assets, liabilities, equity and cash flows

Assets, liabilities and equity

Total assets amounted to ¥374,373 million as of March 31, 2019, a decrease of ¥8,248 million from March 31, 2018. This decrease mainly reflected a decrease in trade receivables of ¥13,376 million. Total liabilities amounted to ¥229,807 million, a decrease of ¥15,748 million from March 31, 2018, mainly due to decreases in borrowings of ¥8,595 million and trade payables of ¥5,768 million. Total equity totaled ¥144,566 million, an increase of ¥7,500 million from March 31, 2018, due to factors including an increase of ¥11,559 million from net profit attributable to Itochu Enex’s shareholders and a decrease of ¥5,430 million by payment of cash dividends.

We consequently ended the fiscal year with a ratio of shareholders’ equity to total assets of 32.7%.

Cash flows

Cash and cash equivalents (net cash) totaled ¥18,725 million as of March 31, 2019, down ¥3,848 million from March 31, 2018.

Cash flows from operating activities

Operating activities provided net cash of ¥25,403 million. Major items included profit before tax of ¥19,414 million, depreciation and amortization of ¥10,086 million, a decrease in trade payables of ¥5,788 million and income taxes paid of ¥8,510 million. Net cash provided increased ¥1,164 million year on year.

Cash flows from investing activities

Investing activities used net cash of ¥13,410 million. Major items included payments for purchase of property, plant and equipment and investment property, etc. of ¥12,883 million, mainly in the Power & Utility Division. Net cash used decreased ¥5,048 million year on year.

Cash flows from financing activities

Financing activities used net cash of ¥15,857 million. Major items included expenditures due to a decrease in interest-bearing debt of ¥10,274 million and expenses as payment of cash dividends of ¥5,430 million. Net cash used increased ¥10,007 million year on year.

2) Cash flow indicators

Fiscal year ended March 31,	2017	2018	2019
Ratio of shareholders' equity to total assets (%)	31.5	30.3	32.7
Ratio of shareholders' equity to total assets at market value (%)	30.2	29.5	26.9
Ratio of cash flow to interest-bearing debt (years)	2.3	1.8	1.3
Interest-coverage ratio (times)	19.2	27.8	30.3

Ratio of shareholders' equity to total assets: Total shareholders' equity / Total assets

Ratio of shareholders' equity to total assets at market value: Market capitalization / Total assets

Ratio of cash flow to interest-bearing debt: Interest-bearing debt / Cash flow

Interest-coverage ratio: Cash flow / Interest expense

(Note 1.) All of the above ratios were calculated using consolidated financial statement data.

(Note 2.) Market capitalization was calculated by multiplying the fiscal-year-end closing share price by the number of shares outstanding at fiscal year-end (net of treasury stock).

(Note 3.) "Cash flow" is "Cash provided by (used in) operating activities" on the Consolidated Statement of Cash Flows.

(Note 4.) Interest-bearing debt is all debt, of the debt carried on the Consolidated Statement of Financial Position, on which interest is payable.

(3) Profit Distribution Policy and Dividends for the Fiscal Years Ended March 31, 2019 and Ending March 31, 2020

In terms of shareholder returns, we aim to maintain a consolidated dividend payout ratio of at least 40% in accord with our policy of paying stable dividends on an ongoing basis while maintaining sustained business growth.

For the fiscal year ended March 31, 2019, we plan to pay a year-end dividend of ¥22 per share. For the fiscal year ending March 31, 2020, we plan to pay annual dividends of ¥42 per share (including an interim dividend of ¥21 per share).

With respect to internally retained funds, our basic policy is to use such funds to invest in our business to strengthen our operating foundation and further increase earnings.

2. Basic Concepts Underlying Selection of Accounting Standards

The Itochu Enex Group adopted IFRS (International Financial Reporting Standards) from the fiscal year ended March 31 2014, in order to improve international comparability and the convenience of financial information in capital markets.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	22,573	18,725
Trade receivables	119,541	106,165
Other current financial assets	38,860	36,034
Inventories	28,380	33,053
Income taxes receivable	0	2,533
Trade advances paid	1,690	111
Other current assets	1,725	3,154
Total current assets	212,769	199,775
Non-current assets		
Investments accounted for by the equity method	26,145	29,441
Other investments	3,406	4,186
Non-current financial assets other than investments	11,400	11,292
Property, plant and equipment	85,326	87,599
Investment property	10,166	9,819
Goodwill	692	521
Intangible assets	20,798	20,091
Deferred tax assets	10,502	9,913
Other non-current assets	1,417	1,736
Total non-current assets	169,852	174,598
Total assets	382,621	374,373

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
LIABILITIES AND EQUITY		
Current liabilities		
Short-term bonds and borrowings	12,432	11,217
Trade payables	127,445	121,677
Other current financial liabilities	8,539	7,905
Income taxes payable	3,650	3,193
Advances from customers	10,583	9,651
Other current liabilities	12,280	11,820
Total current liabilities	174,929	165,463
Non-current liabilities		
Non-current bonds and borrowings	30,273	22,893
Other non-current financial liabilities	23,335	23,531
Non-current liabilities for employee benefits	9,820	9,936
Deferred tax liabilities	2,185	2,287
Provisions	4,757	5,462
Other non-current liabilities	256	235
Total non-current liabilities	70,626	64,344
Total liabilities	245,555	229,807
Equity		
Common stock	19,878	19,878
Capital surplus	18,892	18,922
Retained earnings	80,352	86,769
Other components of equity	(1,145)	(1,406)
Treasury stock	(1,873)	(1,873)
Total shareholders' equity	116,104	122,290
Non-controlling interests	20,962	22,276
Total equity	137,066	144,566
Total liabilities and equity	382,621	374,373

(2) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Revenue	744,767	1,007,086
Cost of sales	(655,945)	(922,876)
Gross profit	88,822	84,210
Other income and expense		
Selling, general and administrative expenses	(70,931)	(67,318)
Loss from tangible assets, intangible assets and goodwill	(1,544)	(241)
Other – net	806	1,200
Total other income and expense	(71,669)	(66,359)
Profit from operating activities	17,153	17,851
Financial income and costs		
Interest income	92	83
Dividends received	296	66
Interest expense	(950)	(906)
Other financial income and costs – net	(241)	755
Total financial income and costs	(803)	(2)
Share of profit (loss) of investments accounted for by the equity method	493	1,565
Gains on business reorganization and others	2,326	–
Profit before tax	19,169	19,414
Income tax expense	(5,945)	(5,749)
Net profit	13,224	13,665
Net profit attributable to:		
Net profit attributable to Itochu Enex's shareholders	11,025	11,559
Net profit attributable to non-controlling interests	2,199	2,106
Total	13,224	13,665

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Other comprehensive income, net of tax effect		
Items that will not be reclassified to profit or loss		
FVTOCI financial assets	892	(108)
Remeasurement of net defined benefit liability	105	(175)
Other comprehensive income of investments accounted for by the equity method	(9)	(54)
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	(38)	(10)
Cash flow hedges	74	25
Other comprehensive income of investments accounted for by the equity method	(519)	(193)
Total other comprehensive income, net of tax effect	505	(515)
Comprehensive income	13,729	13,150
Comprehensive income attributable to:		
Comprehensive income attributable to Itochu Enex's shareholders	11,460	11,127
Comprehensive income attributable to non-controlling interests	2,269	2,023
Total	13,729	13,150

	(Yen)	
Earnings per share attributable to Itochu Enex's shareholders		
Basic	97.63	102.40
Diluted	—	—

	(Millions of yen)	
Total trading transactions	1,156,344	1,244,260

(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) Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity						Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total shareholders' equity		
Balance at April 1, 2017	19,878	18,740	73,300	(1,655)	(1,752)	108,511	18,966	127,477
Net profit			11,025			11,025	2,199	13,224
Other comprehensive income				435		435	69	505
Comprehensive income			11,025	435		11,460	2,269	13,729
Transactions with owners								
Cash Dividends			(3,898)			(3,898)	(615)	(4,513)
Acquisition of subsidiary shares from non-controlling interests and others		152				152		152
Changes due to additional acquisitions and sales of interests in subsidiaries							343	343
Transfer from other components of equity to retained earnings			(75)	75		—		—
Purchase and disposal of treasury stock					(121)	(121)		(121)
Share-based payments						—		—
Balance at March 31, 2018	19,878	18,892	80,352	(1,145)	(1,873)	116,104	20,962	137,066

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity						Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total shareholders' equity		
Balance at April 1, 2018	19,878	18,892	80,352	(1,145)	(1,873)	116,104	20,962	137,066
Net profit			11,559			11,559	2,106	13,665
Other comprehensive income				(432)		(432)	(83)	(515)
Comprehensive income			11,559	(432)		11,127	2,023	13,150
Transactions with owners								
Cash Dividends			(4,971)			(4,971)	(459)	(5,430)
Acquisition of subsidiary shares from non-controlling interests and others		23				23		23
Changes due to additional acquisitions and sales of interests in subsidiaries							(250)	(250)
Transfer from other components of equity to retained earnings			(171)	171		—		—
Purchase and disposal of treasury stock					(0)	(0)		(0)
Share-based payments		7				7		7
Balance at March 31, 2019	19,878	18,922	86,769	(1,406)	(1,873)	122,290	22,276	144,566

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before tax	19,169	19,414
Depreciation and amortization	10,824	10,086
Loss from tangible assets, intangible assets and goodwill	1,544	241
Financial income and costs	803	2
Share of loss (profit) of investments accounted for by the equity method	(493)	(1,565)
Gains on business reorganization and others	(2,326)	–
Decrease (increase) in trade receivables	(25,998)	13,602
Decrease (increase) in inventories	(1,964)	(4,667)
Increase (decrease) in trade payables	26,522	(5,788)
Other – net	3,461	2,935
Dividends received	645	406
Interest received	92	85
Interest expense	(873)	(838)
Income taxes paid	(7,167)	(8,510)
Net cash flows provided by operating activities	24,239	25,403
Cash flows from investing activities		
Purchase of investments accounted for by the equity method	(5,972)	(2,379)
Purchase of investments	(256)	(284)
Proceeds from sales of investments	5,411	103
Acquisition of subsidiaries, net of cash acquired	(3,751)	–
Proceeds from acquisition of subsidiaries	–	22
Loss of control of subsidiaries	(598)	–
Payment for loans receivable	(444)	(907)
Collection of loans receivable	5,675	752
Payments for purchase of property, plant and equipment and investment property	(11,887)	(12,883)
Proceeds from sales of property, plant and equipment and investment property	2,536	1,978
Purchase of intangible assets	(2,545)	(832)
Proceeds from sales of intangible assets	136	193
Decrease (increase) in deposits paid – net	(7,000)	–
Other – net	237	827
Net cash flows used in investing activities	(18,458)	(13,410)

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from financing activities		
Repayments of bonds and borrowings	(8,615)	(3,963)
Net increase in short-term borrowings	7,323	(6,311)
Proceeds from share issuance from non-controlling interests	76	75
Payments for additional acquisitions of interests in subsidiaries from non-controlling interests	—	(228)
Cash dividends paid to Itochu Enex's shareholders	(3,898)	(4,971)
Cash dividends paid to non-controlling interests	(615)	(459)
Purchase of treasury stock	(121)	(0)
Net cash flows used in financing activities	(5,850)	(15,857)
Net increase (decrease) in cash and cash equivalents	(69)	(3,864)
Cash and cash equivalents at the beginning of the period	22,727	22,573
Effect of exchange rate changes on cash and cash equivalents	(85)	16
Cash and cash equivalents at the end of the period	22,573	18,725

(5) Notes to Consolidated Financial Statements

Notes on Uncertainties of Entity's Ability to Continue as Going Concern

No items to report.

Changes in Accounting Policies

From the fiscal year ended March 31, 2019, the following standards have been applied in accordance with transitional provision.

Standard	Title	Description of new/amended standards or interpretations
IFRS 9 (revised in July 2014)	Financial Instruments	Limited amendments to the classification and measurement method for financial assets, and introduction of the expected credit loss impairment model
IFRS 15	Revenue from Contracts with Customers	Establishment of accounting and disclosure on revenue arising from contracts with customers

(IFRS 9 “Financial Instruments” (revised in July 2014))

The Group has adopted IFRS 9 “Financial Instruments” (revised in July 2014) effective from the fiscal year ended March 31, 2019. The effect of adoption of this standard on the Group's consolidated financial statements is insignificant.

(IFRS 15 “Revenue from Contracts with Customers”)

The Group has adopted IFRS 15 “Revenue from Contracts with Customers” (issued in May 2014) and “Clarifications to IFRS 15” (issued in April 2016) (hereinafter, “IFRS 15” collectively), from the fiscal year ended March 31, 2019. In the adoption of IFRS 15, the Group has applied the method in which the cumulative effect of adopting this standard is recognized at the commencement date of adoption, which is allowed as the transitional provision.

In line with the adoption of IFRS 15, the Group has recognized revenue based on the following five-step approach.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group is engaged in the sale of LP gas, gasoline, kerosene, diesel oil, fuel oil, asphalt, electricity, automobiles, and other goods. For the sale of these products, the Group considers that a performance obligation is satisfied when the customer is deemed to obtain control of the product in light of contractual terms and conditions. Specifically, the Group recognizes revenue on the date when the goods are shipped or delivered to the customer or when the customer performs an inspection of the delivered goods. In addition, revenue is recognized at the amount of consideration promised in the contract with the customer less discounts, rebates, returned goods, etc.

When identifying the performance obligations, and determining whether the Group is involved in transactions as a party to the transaction, or whether the Group is involved as an agent, the Group considers factors such as whether or not the Group has the primary responsibility for providing the

product or service to the customer, whether or not the Group bears the inventory risk, and whether or not the Group has discretion in establishing selling price. For a transaction in which the Group is involved as a party to the transaction, the Group presents revenue at the gross amount of consideration received from the customer. For a transaction in which the Group is involved as an agent, the Group presents revenue at a net amount calculated by deducting the cost of sales from the gross amount of consideration received from the customer.

As a result of the adoption of IFRS 15, revenue of certain transactions, which had previously been presented on a net basis, is presented on a gross basis. Consequently, revenue and cost of sales each increased by ¥159,280 million in the consolidated statement of comprehensive income for the fiscal year ended March 31, 2019, compared with these items in the case where the previous accounting standard had been applied.

Other than the above, the adoption of this standard has no significant impact on the Group.

Segment Information

i) Outline of Reportable Segments

The reportable segments of the Group are components of the Group whose separate financial information is available. These segments are periodically evaluated by the Board of Directors in deciding how to allocate management resources and in assessing performance.

The Group is organized into business divisions, consolidating related businesses. Each business division plans strategies for each category of target customers and markets and develops business activities. The Group has four reportable segments that correspond to the business divisions, namely the “Home-Life Division,” “Life & Industrial Energy Division,” “Power & Utility Division,” and “Mobility Life Department.”

The Home-Life Division is engaged in the sale of LP gas, kerosene, town gas (Nakatsu City, Oita Prefecture and Kanto region), industrial gas, electricity, household equipment, smart energy equipment, and residential lithium-ion electricity storage systems, as well as in a pressure resistance inspection business for gas containers and the sale of welding materials.

The Life & Industrial Energy Division is engaged in the provision of gasoline, kerosene, diesel oil, fuel oil, LNG, electricity, automobile-related product services, car rental, high-grade urea solution “AdBlue,” credit card business, asphalt, and logistics functions for oil storage facilities, etc., as well as in the import/export and domestic supply/demand adjustment trading of marine fuel and petroleum products, and the sale of slop and recycled oil.

The Power & Utility Division is engaged in the sale of electricity (coal-fired, natural gas-fired, wind, hydropower, photovoltaic power) and steam, as well as in providing district heating services, comprehensive energy services, electricity/heat supply services, electric power supply/demand management services, and asset management business.

The Mobility Life Department is engaged in the car dealer business, the next-generation biodiesel manufacturing project in the US, and the Euglena domestic bio jet fuel demonstration project.

In the fiscal year ended March 31, 2019, the now former Life Energy & Logistics Division and Industrial Energy & Logistics Division were integrated to form the newly established Life & Industrial Energy Division, while the Mobility Life Department was newly established.

In line with this, the classification of reportable segments has been changed from the previous Home-Life Division, Power & Utility Division, Life Energy & Logistics Division and Industrial Energy & Logistics Division to the Home-Life Division, Life & Industrial Energy Division, Power & Utility Division and Mobility Life Department from the fiscal year ended March 31, 2019.

Furthermore, in conjunction with the absorption-type merger of TOHOKU TANKU SHOUKAI CO., LTD., which was a subsidiary of the Company, by ITOCHU ENEX HOME-LIFE TOHOKU CO., LTD., a subsidiary of the Company, the Group reviewed the management classification and changed the method to include the business of TOHOKU TANKU SHOUKAI CO., LTD., which was previously included in the Life Energy & Logistics Division (Life & Industrial Energy Division after the above change), in the Home-Life Division.

Due to the change in segments, segment information for the previous fiscal year has been adjusted based on the classification of reportable segments after the change.

ii) Information on Reportable Segments

Fiscal year ended March 31, 2018

(Millions of yen)

	Reportable segment					Adjustment	Consolidated
	Home-Life Division	Life & Industrial Energy Division	Power & Utility Division	Mobility Life Department	Total		
Revenue							
Revenue from external customers	97,811	468,145	74,541	104,270	744,767	–	744,767
Intersegment revenue	336	4,363	5,899	–	10,598	(10,598)	–
Total revenue	98,147	472,508	80,440	104,270	755,365	(10,598)	744,767
Gross profit	25,077	36,841	8,891	18,013	88,822	–	88,822
Selling, general and administrative expenses	(22,042)	(28,643)	(4,328)	(16,347)	(71,360)	429	(70,931)
Loss from tangible assets, intangible assets and goodwill	(143)	(733)	(288)	200	(964)	(580)	(1,544)
Other profit (loss)	232	471	351	167	1,221	(415)	806
Profit from operating activities	3,123	7,936	4,626	2,034	17,719	(566)	17,153
Financial income and costs	164	(138)	(316)	(403)	(693)	(110)	(803)
Share of profit (loss) of investments accounted for by the equity method	540	133	(180)	–	493	–	493
Gains on business reorganization and others	2,326	–	–	–	2,326	–	2,326
Profit before tax	6,154	7,930	4,130	1,631	19,845	(676)	19,169
Net profit attributable to Itochu Enex's shareholders	3,798	5,288	2,210	195	11,491	(466)	11,025
Other items							
Depreciation and amortization	(3,291)	(2,184)	(3,468)	(1,372)	(10,315)	(509)	(10,824)
Impairment loss	(173)	(669)	(13)	–	(855)	(574)	(1,429)
Total assets	66,842	145,109	80,189	63,896	356,036	26,585	382,621
Investments accounted for by the equity method	17,699	510	7,936	–	26,145	–	26,145
Capital expenditures	4,258	2,848	6,014	618	13,738	694	14,432
Total trading transactions	109,161	863,310	78,560	105,313	1,156,344	–	1,156,344

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

The adjustment of negative ¥466 million to net profit attributable to Itochu Enex's shareholders represents corporate profit (loss) not allocated to reportable segments.

The adjustment of ¥26,585 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.

Fiscal year ended March 31, 2019

(Millions of yen)

	Reportable segment				Total	Adjustment	Consolidated
	Home-Life Division	Life & Industrial Energy Division	Power & Utility Division	Mobility Life Department			
Revenue							
Revenue from external customers	94,350	707,661	93,459	111,616	1,007,086	–	1,007,086
Intersegment revenue	365	9,414	5,969	–	15,748	(15,748)	–
Total revenue	94,715	717,075	99,428	111,616	1,022,834	(15,748)	1,007,086
Gross profit	22,397	36,108	7,134	18,571	84,210	–	84,210
Selling, general and administrative expenses	(18,927)	(27,791)	(4,662)	(16,006)	(67,386)	68	(67,318)
Loss from tangible assets, intangible assets and goodwill	(172)	(202)	324	(179)	(229)	(12)	(241)
Other profit (loss)	257	1,037	(67)	(35)	1,192	8	1,200
Profit from operating activities	3,555	9,153	2,728	2,351	17,787	64	17,851
Financial income and costs	(24)	(121)	516	(260)	111	(113)	(2)
Share of profit (loss) of investments accounted for by the equity method	1,251	139	175	–	1,565	–	1,565
Profit before tax	4,782	9,171	3,419	2,091	19,463	(49)	19,414
Net profit attributable to Itochu Enex's shareholders	3,068	6,185	1,970	319	11,542	17	11,559
Other items							
Depreciation and amortization	(2,698)	(1,990)	(3,494)	(1,377)	(9,559)	(527)	(10,086)
Impairment loss	(251)	(216)	–	(171)	(638)	–	(638)
Total assets	65,584	137,606	82,439	51,798	337,427	36,946	374,373
Investments accounted for by the equity method	18,774	555	10,112	–	29,441	–	29,441
Capital expenditures	3,259	1,743	6,660	758	12,420	1,295	13,715
Total trading transactions	105,112	931,798	96,935	110,415	1,244,260	–	1,244,260

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

The adjustment of ¥17 million to net profit attributable to Itochu Enex's shareholders represents corporate profit (loss) not allocated to reportable segments.

The adjustment of ¥36,946 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.

iii) Products and Services Information

This information is omitted because the classification of products and services is the same as the classification of reportable segments.

iv) Geographic Information

This information is omitted because revenue from external customers in Japan accounts for a large percentage of the revenue recorded in the consolidated statement of comprehensive income for the fiscal years ended March 31, 2018 and 2019.

v) Major Customers Information

This information is omitted because there is no major external customer from which revenue accounts for 10% or more of the revenue recorded in the consolidated statement of comprehensive income for the fiscal years ended March 31, 2018 and 2019.

Earnings per Share

Basic earnings per share for the fiscal years ended March 31, 2018 and 2019, were calculated as follows:

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net profit attributable to Itochu Enex's shareholders (Millions of yen)	11,025	11,559
Weighted-average number of ordinary shares outstanding (Thousands of shares)	112,921	112,879
Basic earnings per share attributable to Itochu Enex's shareholders (Yen)	97.63	102.40

(Note) Diluted earnings per share attributable to Itochu Enex's shareholders are not presented because there were no dilutive potential shares.

Significant Events after the Reporting Period

No items to report