

This document is an English translation of quarterly financial results report released on July 31, 2019 and written initially in Japanese.  
The Japanese original should be considered as the primary version.



July 31, 2019

## Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2020 <under IFRSs>

Company name: **Itochu Enex Co., Ltd.**  
 Listing: Tokyo Stock Exchange, 1st Section  
 Stock code: 8133  
 URL: <https://www.itcenex.com/english/>  
 Representative: Kenji Okada, Representative Director, President and CEO  
 Contact: Keisuke Hioki, General Manager, Finance & General Accounting Department  
 Tel: +81-3-4233-8008

Scheduled date to file quarterly securities report: August 13, 2019

Scheduled date to commence dividend payments: –

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

Holding of quarterly financial results presentation meeting: None

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

### 1. Consolidated financial results for the first three months of the fiscal year ending March 31, 2020 (from April 1, 2019 to June 30, 2019)

#### (1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Revenue		Profit from operating activities		Profit before tax		Net profit		Net profit attributable to Itochu Enex's shareholders		Comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended												
June 30, 2019	220,216	(2.7)	4,312	9.5	4,787	6.5	3,234	0.8	2,701	6.2	3,009	(6.7)
June 30, 2018	226,301	31.2	3,938	(15.6)	4,494	(2.1)	3,209	5.0	2,544	0.8	3,225	(0.6)

	Basic earnings per share attributable to Itochu Enex's shareholders	Diluted earnings per share attributable to Itochu Enex's shareholders
Three months ended	Yen	Yen
June 30, 2019	23.93	–
June 30, 2018	22.54	–

Reference: Total trading transactions

For the three months ended June 30, 2019: 274,365 million yen

For the three months ended June 30, 2018: 288,762 million yen

Note: "Total trading transactions" are presented in accordance with the Japanese accounting practices.

(2) Consolidated financial position

	Total assets	Total equity	Total shareholders' equity	Ratio of shareholders' equity to total assets
As of	Millions of yen	Millions of yen	Millions of yen	%
June 30, 2019	400,018	143,105	121,134	30.3
March 31, 2019	374,373	144,566	122,290	32.7

2. Cash dividends

	Annual cash dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended	Yen	Yen	Yen	Yen	Yen
March 31, 2019	–	20.00	–	22.00	42.00
Fiscal year ending	–				
March 31, 2020					
Fiscal year ending		21.00	–	21.00	42.00
March 31, 2020 (Forecast)					

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

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

(Percentages indicate year-on-year changes.)

	Revenue		Profit from operating activities		Profit before tax		Net profit attributable to Itochu Enex's shareholders		Basic earnings per share attributable to Itochu Enex's shareholders
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending									
September 30, 2019	–	–	–	–	–	–	–	–	–
Fiscal year ending	1,000,000	(0.7)	16,500	(7.6)	19,200	(1.1)	11,800	2.1	104.54
March 31, 2020									

Note: Revisions to the consolidated earnings forecasts most recently announced: None

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 “2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto, (6) Changes in Accounting Policies” on page 14 of the attached materials.

(3) Number of issued shares (common stock)

a. Total number of issued shares at end of period (including treasury stock)

As of June 30, 2019	116,881,106 shares
As of March 31, 2019	116,881,106 shares

b. Number of treasury stock at end of period

As of June 30, 2019	4,002,462 shares
As of March 31, 2019	4,002,462 shares

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

For the three months ended June 30, 2019	112,878,644 shares
For the three months ended June 30, 2018	112,878,971 shares

\* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

\* Proper use of earnings forecasts, and other special notes

(Caution regarding forward-looking statements and others)

The forecasts and other forward-looking statements in this report are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. Actual business and other results may significantly differ from these forecasts due to various factors.

Please refer to “1. Qualitative Information Regarding Results for the First Three Months, (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements” on page 6 of the attached materials for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

**Contents of Attached Materials**

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

# 1. Qualitative Information Regarding Results for the First Three Months

## (1) Explanation of Operating Results

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

### 1) Results of operations

During the three months ended June 30, 2019, the tone of the Japanese economy was one of moderate recovery. 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 addition, Japan’s energy industry has been encountering drastically changing circumstances, particularly with respect to consolidation of major oil companies, market entry by companies from other industries as a result of Japan having fully liberalized retail power and city gas sales, alliances forged across industry lines, and mounting worldwide awareness of climate change.

In this environment, the Itochu Enex Group established its two-year medium-term business plan “Moving 2020 Horizons.” Through its medium-term business plan the Group is aiming to enter its next stage, which will involve marshaling Group strengths, and is accordingly positioning the next two years as a period for achieving further rapid progress by leveraging the foundations it has developed thus far.

### Overview of medium-term business plan

1. Name of the plan: Moving 2020 Horizons



2. Period: Two years (FY2019 to FY2020)
3. Basic policy:
  - Promotion of Growth Strategies*
    - (1) Maintaining and deepening the revenue base: Pursue Group synergy and further cultivate customer base.
    - (2) Making inroads overseas and in peripheral fields: Proactively invest in overseas businesses and promote M&A of peripheral businesses.
    - (3) Creating new businesses: Promote environmental businesses and so on.
  - Evolution of the Organizational Base*
    - (1) Strengthening Group management: Advance consolidated management and construct effective governance management structures.
    - (2) Human resource strategies for growth: Promote diversity and nurture global human resources.
    - (3) Promoting innovation: Pursue more efficient operations in existing business and promote digital solutions.
4. Quantitative plan (FY2020):
  - (1) Net profit attributable to Itochu Enex’s shareholders: ¥12.5 billion
  - (2) ROE: 9.0% or above
  - (3) Dividend payout ratio: 40% or above
  - (4) Planned investment (2-year total): ¥60.0 billion

The operating results for the three months ended June 30, 2019 are as follows.

Revenue was ¥220,216 million (down 2.7% year on year), due mainly to the impact resulting from the decrease in sales volumes of domestic petroleum products in the Life & Industrial Energy Division.

Profit from operating activities was ¥4,312 million (up 9.5% year on year), due mainly to the Life & Industrial Energy Division having encountered robust sales in the retail market for petroleum products and the increased profit in the car dealer business.

Net profit attributable to Itochu Enex's shareholders was ¥2,701 million (up 6.2% year on year).

## 2) Results of operations by segment

Results of operations by segment are as follows. Following the reorganization of the Group carried out on April 1, 2019, the reportable segments have changed. As part of the reorganization, the Mobility Life Department was included in the Life & Industrial Energy Division.

In line with this, the classification of reportable segments has been changed from the previous Home-Life Division, Life & Industrial Energy Division, Power & Utility Division and Mobility Life Department to the Home-Life Division, Life & Industrial Energy Division and Power & Utility Division from the first quarter ended June 30, 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 three months ended June 30, 2019, the number of customers under direct LP gas supply contracts increased by around 3,000 to approximately 553,000. Although volume of direct sales remained largely unchanged in comparison with the previous year, sales volume of LP gas fell year on year mainly due to lower sales volume brought about by decreasing demand with respect to auto gas.

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 5,000 for a total of approximately 86,000.

In peripheral areas other than LP gas, volume and revenue decreased year on year, having recoiled from the higher results achieved in the corresponding period of the previous fiscal year due to special factors in the industrial gas sales business and the container inspection business.

As a result of these activities, the operating results for the three months ended June 30, 2019 are as follows.

Revenue was ¥19,819 million (down 10.4% year on year), due mainly to the decrease in the sales volume of LP gas.

Profit from operating activities was ¥555 million (down 28.4% year on year), due mainly to a reduced sales volume for LP gas and additional expenses associated with restructuring by subsidiaries.

Net profit attributable to Itochu Enex's shareholders was ¥501 million (down 8.1% year on year), due mainly to the same reasons as the impacts on profit from operating activities described above.

### **Life & Industrial Energy Division**

During the three months ended June 30, 2019, the Life & Industrial Energy Division adopted a new organizational framework, which has involved establishing the Environmental Business Department in operation from this fiscal year, and transferring the automotive business out of the Mobility Life Department.

In the Group's Car-Life Stations (CS)\*1 business, which has a high level of engagement with people in local communities, we need to address changes in the business environment brought about by structural downturn in demand for oil. As such, we will provide various services with the aim of making full use

of our existing CS network encompassing dealerships and Group companies drawing on a strategy of market dominance. The total number of the Group's CS in the three months ended June 30, 2019 was 1,755 (net decrease of 11 from the end of the previous fiscal period). Meanwhile, whereas sales volume of gasoline and diesel oil decreased year on year, that of kerosene increased in comparison with the corresponding period of the previous fiscal year.

In the Environmental Business Department, we aim to expand our domestic share of the market for AdBlue\*<sup>2</sup> and achieve overseas expansion. In addition, we have been proposing various applications for fly ash derived from recycled coal ash in an effort to expand sales channels in that regard.

In the automotive business, our car dealer business subsidiary OSAKA CAR LIFE GROUP CO., LTD. drove results amid strong sales of new cars such as a new DAYZ model that went on sale at the end of March 2019, along with sales of Note, Serena and other popular car models. We also achieved firm results with respect to the "Nissan Osaka Sales e-Denki" initiative implemented as part of our efforts to strengthen our involvement with our customer base.

As a result of these activities, the operating results for the three months ended June 30, 2019 are as follows.

Revenue was ¥176,089 million (down 5.5% year on year), due mainly to a decrease in sales volume of domestic petroleum products.

Profit from operating activities was ¥2,184 million (up 54.7% year on year), due mainly to an increase in profit in the retail market for petroleum products and the car dealer business.

Net profit attributable to Itochu Enex's shareholders was ¥1,233 million (up 47.1% 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**

Looking at the Power & Utility Division during the three months ended June 30, 2019, in the electric power business, retail electricity sales volumes decreased year on year due to a downturn in large, high-voltage power contracts for business users in the areas of sales and supply/demand management, and despite an increase in volume of low-voltage power sales to households. On the other hand, electricity sales volumes for the wholesale electricity market increased in comparison with the previous fiscal year. In this field, we will develop a sales strategy that addresses the shift to the realm of low-voltage power by actively making system investment while partnering with companies that have strong customer bases in certain geographic areas and entities from other industries. For instance, we will sell electricity to customers who have purchased cars from Nissan affiliated dealerships, working in conjunction with Nissan Motor Co., Ltd.

In the power generation field, our goal is to ensure stable supplies of electricity and reduce environmental impacts, enhancing our portfolio of power sources. 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 heat supply business\*<sup>3</sup>, demand for heat decreased from the previous fiscal year partially due to a lack of temperature gains, leading to a decrease in profit year on year. The division will continue its efforts to develop as a comprehensive energy services business\*<sup>4</sup>, so as to be able to respond to the increasingly diverse needs of customers in this field.

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.

As a result of these activities, the operating results for the three months ended June 30, 2019 are as follows.

Revenue was ¥24,308 million (up 36.5% year on year), due mainly to an increase in electricity sales volume for the wholesale electricity market in the areas of sales and supply/demand management.

Profit from operating activities was ¥1,351 million (down 7.4% year on year), due mainly to a decrease in demand for heat in the heat supply business.

Net profit attributable to Itochu Enex's shareholders was ¥895 million (up 7.7% year on year), due mainly to an increase in earnings of associates accounted for by the equity method.

- \*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.

## (2) Explanation of Financial Position

### Assets, liabilities and equity

Total assets amounted to ¥400,018 million as of June 30, 2019, an increase of ¥25,645 million from March 31, 2019. This increase mainly reflected an increase in property, plant and equipment of ¥52,264 million with the application of IFRS 16. Total liabilities amounted to ¥256,913 million, an increase of ¥27,106 million from March 31, 2019, mainly due to an increase in lease liabilities of ¥52,243 million with the application of IFRS 16. Total equity totaled ¥143,105 million, a decrease of ¥1,461 million from March 31, 2019, due to factors including an increase of ¥2,701 million from net profit attributable to Itochu Enex's shareholders, a decrease of ¥2,905 million by payment of cash dividends and a decrease of ¥1,535 million with the application of IFRS 16.

### Cash flows

Cash and cash equivalents (net cash) totaled ¥18,862 million as of June 30, 2019, up ¥137 million from March 31, 2019.

#### *Cash flows from operating activities*

Operating activities used net cash of ¥4,129 million. Major items included profit before tax of ¥4,787 million, depreciation and amortization of ¥4,778 million, an increase in funds required for trading of ¥7,977 million and income taxes paid of ¥3,404 million. Net cash provided increased ¥7,276 million year on year.

#### *Cash flows from investing activities*

Investing activities used net cash of ¥196 million. Major items included purchase of investments accounted for by the equity method of ¥2,750 million, mainly in the Power & Utility Division, acquisition of subsidiaries of ¥5,566 million and decrease in deposits paid of ¥10,000 million. Net cash used increased ¥1,750 million year on year.

#### *Cash flows from financing activities*

Financing activities provided net cash of ¥4,460 million. Major items included net increase in short-term borrowings of ¥15,350 million, repayments of bonds and borrowings of ¥5,433 million and expenses as payment of cash dividends of ¥2,905 million. Net cash used increased ¥10,648 million year on year.



**(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements**

Although operating performance could be affected by various factors, including crude oil prices, market conditions, changes in the weather, and the Japanese government's energy policy, we have not revised our full-year consolidated earnings forecasts announced on April 26, 2019.

## 2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereo

### (1) Condensed Quarterly Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	18,725	18,862
Trade receivables	106,165	90,191
Other current financial assets	36,034	26,600
Inventories	33,053	26,868
Income taxes receivable	2,533	3,004
Trade advances paid	111	125
Other current assets	3,154	1,921
Total current assets	199,775	167,571
Non-current assets		
Investments accounted for by the equity method	29,441	32,057
Other investments	4,186	4,227
Non-current financial assets other than investments	11,292	11,873
Property, plant and equipment	87,599	139,863
Investment property	9,819	13,090
Goodwill	521	521
Intangible assets	20,091	20,126
Deferred tax assets	9,913	9,029
Other non-current assets	1,736	1,661
Total non-current assets	174,598	232,447
Total assets	374,373	400,018

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Short-term bonds and borrowings	11,217	21,517
Trade payables	121,677	91,462
Lease liabilities	–	9,728
Other current financial liabilities	7,905	7,387
Income taxes payable	3,193	1,205
Advances from customers	9,651	8,810
Other current liabilities	11,820	9,859
Total current liabilities	165,463	149,968
<b>Non-current liabilities</b>		
Non-current bonds and borrowings	22,893	22,535
Lease liabilities	–	53,656
Other non-current financial liabilities	23,531	13,865
Non-current liabilities for employee benefits	9,936	9,968
Deferred tax liabilities	2,287	1,389
Provisions	5,462	5,304
Other non-current liabilities	235	228
Total non-current liabilities	64,344	106,945
Total liabilities	229,807	256,913
<b>Equity</b>		
Common stock	19,878	19,878
Capital surplus	18,922	18,922
Retained earnings	86,769	85,838
Other components of equity	(1,406)	(1,631)
Treasury stock	(1,873)	(1,873)
Total shareholders' equity	122,290	121,134
Non-controlling interests	22,276	21,971
Total equity	144,566	143,105
<b>Total liabilities and equity</b>	<b>374,373</b>	<b>400,018</b>

**(2) Condensed Quarterly Consolidated Statement of Comprehensive Income**

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Revenue	226,301	220,216
Cost of sales	(206,203)	(199,545)
Gross profit	20,098	20,671
Other income and expense		
Selling, general and administrative expenses	(16,238)	(16,476)
Loss from tangible assets, intangible assets and goodwill	(246)	(61)
Other – net	324	178
Total other income and expense	(16,160)	(16,359)
Profit from operating activities	3,938	4,312
Financial income and costs		
Interest income	23	16
Dividends received	53	58
Interest expense	(212)	(297)
Other financial income and costs – net	73	(36)
Total financial income and costs	(63)	(259)
Share of profit of investments accounted for by the equity method	619	734
Profit before tax	4,494	4,787
Income tax expense	(1,285)	(1,553)
Net profit	3,209	3,234
Net profit attributable to:		
Net profit attributable to Itochu Enex’s shareholders	2,544	2,701
Net profit attributable to non-controlling interests	665	533
Total	3,209	3,234

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Other comprehensive income, net of tax effect		
Items that will not be reclassified to profit or loss		
FVTOCI financial assets	59	44
Other comprehensive income of investments accounted for by the equity method	(24)	9
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	(22)	(1)
Cash flow hedges	5	(15)
Other comprehensive income of investments accounted for by the equity method	(2)	(262)
Total other comprehensive income, net of tax effect	16	(225)
Comprehensive income	3,225	3,009
Comprehensive income attributable to:		
Comprehensive income attributable to Itochu Enex's shareholders	2,560	2,476
Comprehensive income attributable to non-controlling interests	665	533
Total	3,225	3,009

(Yen)

Earnings per share attributable to Itochu Enex's shareholders		
Basic	22.54	23.93
Diluted	–	–

(Millions of yen)

Total trading transactions	288,762	274,365
----------------------------	---------	---------

(Note) Total trading transactions are presented in accordance with the Japanese accounting practices. This item is voluntarily disclosed by the Company for investors' convenience and is not required to be disclosed under International Financial Reporting Standards ("IFRSs").

### (3) Condensed Quarterly Consolidated Statement of Changes in Equity

Three months ended June 30, 2018

(Millions of yen)

	Shareholders' equity					Total shareholders' equity	Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock			
Balance at April 1, 2018	19,878	18,892	80,352	(1,145)	(1,873)	116,104	20,962	137,065
Net profit			2,544			2,544	665	3,209
Other comprehensive income				17		17	0	16
Comprehensive income			2,544	17		2,561	665	3,225
Transactions with owners								
Cash dividends			(2,712)			(2,712)	(459)	(3,171)
Changes due to additional acquisitions and sales of interests in subsidiaries						—		—
Transfer from other components of equity to retained earnings			0	(0)		—		—
Share-based payments		3				3		3
Balance at June 30, 2018	19,878	18,895	80,184	(1,128)	(1,873)	115,956	21,167	137,123

Three months ended June 30, 2019

(Millions of yen)

	Shareholders' equity					Total shareholders' equity	Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock			
Balance at April 1, 2019	19,878	18,922	86,769	(1,406)	(1,873)	122,290	22,276	144,566
Cumulative effect of accounting change			(1,146)			(1,146)	(389)	(1,535)
Restated balance	19,878	18,922	85,623	(1,406)	(1,873)	121,144	21,887	143,031
Net profit			2,701			2,701	533	3,234
Other comprehensive income				(225)		(225)	0	(225)
Comprehensive income			2,701	(225)		2,476	533	3,009
Transactions with owners								
Cash dividends			(2,486)			(2,486)	(419)	(2,905)
Changes due to additional acquisitions and sales of interests in subsidiaries						—	(30)	(30)
Transfer from other components of equity to retained earnings						—		—
Share-based payments						—		—
Balance at June 30, 2019	19,878	18,922	85,838	(1,631)	(1,873)	121,134	21,971	143,105

**(4) Condensed Quarterly Consolidated Statement of Cash Flows**

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Cash flows from operating activities		
Profit before tax	4,494	4,787
Depreciation and amortization	2,484	4,778
Loss from tangible assets, intangible assets and goodwill	246	61
Financial income and costs	63	259
Share of profit of investments accounted for by the equity method	(619)	(734)
Decrease in trade receivables	10,743	16,052
Decrease in inventories	3,131	6,186
Decrease in trade payables	(11,351)	(30,215)
Other – net	(2,530)	(2,268)
Dividends received	267	628
Interest received	16	10
Interest expense	(168)	(269)
Income taxes paid	(3,629)	(3,404)
Net cash flows provided by (used in) operating activities	3,147	(4,129)
Cash flows from investing activities		
Purchase of investments accounted for by the equity method	(244)	(2,750)
Purchase of investments	(1)	(56)
Proceeds from sales of investments	4	–
Acquisition of subsidiaries, net of cash acquired	–	(5,566)
Payment for loans receivable	(134)	(113)
Collection of loans receivable	150	195
Payments for purchase of property, plant and equipment and investment property	(3,103)	(2,581)
Proceeds from sales of property, plant and equipment and investment property	349	197
Purchase of intangible assets	(307)	(146)
Proceeds from sales of intangible assets	31	–
Decrease in deposits paid – net	5,000	10,000
Other – net	(191)	624
Net cash flows provided by (used in) investing activities	1,554	(196)

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Cash flows from financing activities		
Repayments of bonds and borrowings	(799)	(5,433)
Repayments of lease liabilities	–	(2,522)
Net increase (decrease) in short-term borrowings	(2,218)	15,350
Payments for additional acquisitions of interests in subsidiaries from non-controlling interests	–	(30)
Cash dividends paid to Itochu Enex's shareholders	(2,712)	(2,486)
Cash dividends paid to non-controlling interests	(459)	(419)
Net cash flows provided by (used in) financing activities	(6,188)	4,460
Net increase (decrease) in cash and cash equivalents	(1,487)	135
Cash and cash equivalents at the beginning of the period	22,573	18,725
Effect of exchange rate changes on cash and cash equivalents	(2)	2
Cash and cash equivalents at the end of the period	21,084	18,862



**(5) Notes on Uncertainties of Entity’s Ability to Continue as Going Concern**

No items to report.

**(6) Changes in Accounting Policies**

From the first quarter ended June 30, 2019, the following standard has been applied.

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

(IFRS 16 “Leases”)

Upon application of this standard, right-of-use assets and lease liabilities were recognized on the date of initial application of IFRS 16 (April 1, 2019) for leases previously classified as operating leases under IAS 17 “Leases” (hereinafter, “IAS 17”). In addition, operating lease payments that had been expensed as incurred under the previous accounting standard were recognized as depreciation for right-of-use assets and interest expense on lease liabilities in the condensed quarterly consolidated statement of comprehensive income for the first quarter ended June 30, 2019, and reclassified from a reduction in cash flows from operating activities to a reduction in cash flows from financing activities in the condensed quarterly consolidated statement of cash flows for the same period.

Lease payments are allocated to finance costs and repayments of lease liabilities based on the effective interest method with finance costs recognized in the condensed quarterly consolidated statement of comprehensive income.

A right-of-use asset is depreciated by using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

However, the Group has not recognized right-of-use assets and lease liabilities for leases of intangible assets and short-term leases with a lease term of 12 months or less. Lease payments associated with short-term leases are recognized as expense on either a straight-line basis over the lease term or another systematic basis.

In accordance with the transition under IFRS 16, the Group has retrospectively applied IFRS 16 and recognized the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings for the first quarter ended June 30, 2019. In transitioning to IFRS 16, the Group has elected to apply the practical expedient provided in paragraph C3 of IFRS 16 to grandfather the assessment of whether a contract contains a lease under IAS 17 and IFRIC 4 “Determining whether an Arrangement contains a Lease.”

As a result, right-of-use assets increased by ¥46,640 million as property, plant and equipment, lease liabilities increased by ¥54,228 million, and retained earnings decreased by ¥1,146 million in the condensed quarterly consolidated statement of financial position as of the beginning of the first quarter ended June 30, 2019.

## (7) Segment Information

For the three months ended June 30, 2018

(Millions of yen)

	Reportable segment			Total	Adjustment	Consolidated
	Home-Life Division	Life & Industrial Energy Division	Power & Utility Division			
Revenue						
Revenue from external customers	22,112	186,382	17,807	226,301	–	226,301
Intersegment revenue	42	678	1,407	2,127	(2,127)	–
Total revenue	22,154	187,060	19,214	228,428	(2,127)	226,301
Gross profit	5,595	11,983	2,520	20,098	–	20,098
Profit from operating activities	775	1,412	1,459	3,646	292	3,938
Profit before tax	1,130	1,411	1,608	4,149	345	4,494
Net profit attributable to Itochu Enex's shareholders	545	838	831	2,214	330	2,544
Other items						
Total assets	60,943	192,869	81,288	335,100	29,097	364,197
Total trading transactions	24,565	245,721	18,476	288,762	–	288,762

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

The adjustment of ¥330 million to net profit attributable to Itochu Enex's shareholders represents corporate profit (loss) not allocated to reportable segments.

The adjustment of ¥29,097 million to total assets represents corporate assets not allocated to reportable segments.

Total trading transactions are unaudited items voluntarily disclosed by the Company and represent the amount of sales in accordance with Japanese accounting practices.

For the three months ended June 30, 2019

(Millions of yen)

	Reportable segment			Total	Adjustment	Consolidated
	Home-Life Division	Life & Industrial Energy Division	Power & Utility Division			
Revenue						
Revenue from external customers	19,819	176,089	24,308	220,216	–	220,216
Intersegment revenue	73	1,893	796	2,762	(2,762)	–
Total revenue	19,892	177,982	25,104	222,978	(2,762)	220,216
Gross profit	5,270	12,756	2,645	20,671	–	20,671
Profit from operating activities	555	2,184	1,351	4,090	222	4,312
Profit before tax	868	2,139	1,631	4,638	149	4,787
Net profit attributable to Itochu Enex's shareholders	501	1,233	895	2,629	72	2,701
Other items						
Total assets	63,355	207,076	99,955	370,386	29,632	400,018
Total trading transactions	22,393	226,966	25,006	274,365	–	274,365

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

The adjustment of ¥72 million to net profit attributable to Itochu Enex's shareholders represents corporate profit (loss) not allocated to reportable segments.

The adjustment of ¥29,632 million to total assets represents corporate assets not allocated to reportable segments.

Total trading transactions are unaudited items voluntarily disclosed by the Company and represent the amount of sales in accordance with Japanese accounting practices.

As of March 31, 2019

	Reportable segment			Total	Adjustment	Consolidated
	Home-Life Division	Life & Industrial Energy Division	Power & Utility Division			
Total assets	65,584	189,333	82,439	337,356	37,016	374,373

(Note) The adjustment of ¥37,016 million to total assets represents corporate assets not allocated to reportable segments.

#### Change in reportable segments

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

In line with this, the classification of reportable segments has been changed from the previous Home-Life Division, Life & Industrial Energy Division, Power & Utility Division and Mobility Life Department to the Home-Life Division, Life & Industrial Energy Division and Power & Utility Division from the first quarter ended June 30, 2019.

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