

July 25, 2008

Itochu Enex Co., Ltd.

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Itochu Enex formally agrees to take over Kohnan's Petroleum Sales Business and make Kohnan Fleet Corporation a Subsidiary

Itochu Enex Co., Ltd. (Enex) and Kohnan Co., Ltd. (Kohnan) announced that they formally entered an agreement today whereby Kohnan will transfer its petroleum sales business to Enex effective September 1, 2008, through a corporate divestiture, and accordingly, the two companies today signed a corporate divestiture agreement. Initial details of the agreement were provided in a press release issued on April 24, 2008, titled "Itochu Enex enters a Basic Agreement with Kohnan to take over Kohnan's Petroleum Sales Business and make Kohnan Fleet Corporation a Subsidiary" (available in Japanese only).

As part of the divestiture arrangements, Enex will acquire stock of Kohnan subsidiary Kohnan Fleet Corporation (Kohnan Fleet). Through this acquisition of stock, Kohnan Fleet, which is presently an affiliate of Enex, will become Enex's wholly owned subsidiary. (Kohnan Fleet and Kohnan's petroleum sales business are collectively referred to as the "relevant business interests" below.)

1. Purpose of the divestiture

Enex is involved in petroleum sales and faces a business environment that is growing increasingly challenging year after year due to slowing demand for petroleum products amid environmental problems and high crude oil prices. In this environment, Enex has expanded its business through a strategy of quantitative expansion accompanied by qualitative improvements. Enex's decision to take over Kohnan's petroleum sales business and make Kohnan Fleet a subsidiary was based on this strategy.

Enex has engaged in business with Kohnan for more than forty years since its founding and established a relationship whereby the two understand each other's corporate culture. Enex believes that taking over Kohnan's petroleum sales business will enable it to incorporate Kohnan's corporate culture along with the human and other resources that Kohnan has developed, thereby enabling Enex to harness synergies and further develop its business. Taking over Kohnan's petroleum sales business will enable Enex to further strengthen its group network and aggressively pursue efforts to achieve targets set forth in the group's medium-term management plan "Core & Synergy 2010 – Moving to the Next Stage through Reforms."

2. Outline of the divestiture

(1) Divestiture schedule

Board of Directors' Meeting for approval of the divestiture plan	July 25, 2008
Signing of divestiture agreement	July 25, 2008
General meeting of Kohnan shareholders for approval of the divestiture plan	August 13, 2008 (subject to change)
Effective date of the divestiture	September 1, 2008 (subject to change)

The divestiture is a simplified absorption-type divestiture (*kani kyushu bunkatsu*) as specified in Article 796, paragraph 3, of the Companies Act, and Enex therefore plans to execute the divestiture agreement without seeking approval of general meeting of its shareholders.

(2) Type of divestiture

The divestiture is a physical corporate divestiture (*butteki bunkatsu*) under which Kohnan's business will be spun off and transferred to Enex.

(3) Details of allocations related to the divestiture

Under the divestiture agreement, Enex will pay Kohnan approximately JPY 7 billion in cash for the rights and obligations it will succeed. The method of divestiture and details of the allocations were agreed through discussions and negotiations between Enex and Kohnan with the aim being to facilitate a smooth transfer of the business interests.

(4) Basis for calculating the allocations

In determining the amount of the consideration to be paid under the divestiture agreement, Enex commissioned Nikko Cordial Securities Inc. (Nikko Cordial) as a third-party institution to calculate the value of the relevant business interests.

Nikko Cordial calculated the value of the business interests using the discounted cash flow (DCF) method, comparable listed company method, and adjusted net assets method. Using the results of the calculations as a basis, Enex held close discussions with Kohnan to decide on the amount of consideration to be paid.

Nikko Cordial is not engaged in related-party transactions with Enex or Kohnan.

(5) Increase in capital after the transfer

Enex's paid-in capital will not increase as a result of the divestiture.

(6) Handling of stock acquisition rights and bonds with stock acquisition rights

Kohnan has not issued stock acquisition rights or bonds with stock acquisition rights.

(7) Rights and obligations to be transferred to the succeeding company

On the effective divestiture date, Enex will succeed all rights and obligations, including but not limited to assets, contracts, and other rights and obligations, that are agreed by Enex and Kohnan to be part of the petroleum sales business operated by Kohnan.

(8) Prospects for fulfillment of obligations

Enex foresees no problems to the proper fulfillment of its obligations on or after the effective date.

3. Outline of the parties of the divestiture and the subsidiary to be transferred

(a) Outline of the parties of the divestiture (as of March 31, 2008)

(1) Company name	Itochu Enex Co., Ltd. (succeeding company)	Kohnan Co., Ltd. (divesting company)
(2) Business activities	1. Sales of petroleum products, LPG, high-pressure gas, and daily items	1. Sales of petroleum products 2. Operation of golf courses 3. Aviation business

	2. Automotive-related business, urban gas business 3. Development of hydrogen energy, dimethyl ether (DME), and other alternative energies	
(3) Established	January 28, 1961	July 24, 1967
(4) Head office	Meguro, Tokyo	Sakai, Osaka
(5) Representative	Akira Kodera, President	Representative Director Kozo Hikida
(6) Capital	JPY 19,877 million	JPY 69 million
(7) Total number of shares issued	96,356,583 shares	3,280 shares
(8) Net assets	JPY 83,707 million (consolidated)	JPY 2,804 million (non-consolidated)
(9) Total assets	JPY 255,127 million (consolidated)	JPY 21,171 million (non-consolidated)
(10) Fiscal year end	March 31	March 31
(11) Number of employees	2,954 (consolidated)	49 (non-consolidated)
(12) Major shareholders and ownership ratios	Itochu Corporation: 39.03% Japan Trustee Services Bank, Ltd. (held in trust account): 3.85% The Master Trust Bank of Japan, Ltd. (held in trust account): 3.33% Enex Fund: 2.76% Nippon Life Insurance Company: 2.40%	KN Services Inc.: 66.5% Kozo Hikida: 32.3% Yonezo Hikida: 1.2%
(13) Main lenders	The Sumitomo Trust & Banking Co., Ltd. Sumitomo Mitsui Banking Corporation Resona Bank, Ltd.	Mizuho Corporate Bank, Ltd. The Sumitomo Trust & Banking Co., Ltd. The Kiyo Bank, Ltd.

	Mizuho Corporate Bank, Ltd.	
(15) Relationships between the parties	Capital relationships	NA
	Personnel relationships	NA
	Trade relationships	Enex is Kohnan's main supplier.
	Matters applicable to the related parties	NA Kohnan Fleet, which is Kohnan's subsidiary, is an equity-method affiliate of Enex.

(15) Financial results for past three years

(Millions of yen)

	Itochu Enex Co., Ltd. (succeeding company) (consolidated)			Kohnan Co., Ltd. (divesting company) (non-consolidated)		
Fiscal year ended March 31,						
	2006	2007	2008	2006	2007	2008
Net sales (Million yen)	771,894	886,483	1,093,752	115,264	11,106	14,987
Operating income (Million yen)	6,824	7,934	7,700	605	151	185
Ordinary income (Million yen)	8,576	8,748	8,306	705	225	171
Net income (Million yen)	4,661	4,987	4,187	395	245	150
Net income per share (yen)	49.70	55.04	45.65	120,629.57	74,772.56	45,739.32

Per-share dividend (yen)	16.00	16.00	16.00	0.00	0.00	0.00
Net assets per share (yen)	864.11	889.52	891.59	734,557.62	809,330.18	855,069.51

(2) Outline of the subsidiary to be transferred

(Millions of yen)

(1) Company name	Kohnan Fleet Corporation
(2) Business activities	Sales of petroleum
(3) Established	April 26, 1977
(4) Head office	Sakai, Osaka
(5) Representative	Representative Director and President Kozo Hikida
(6) Capital	JPY 100 million
(7) Total number of shares issued	132,000 shares
(8) Fiscal year end	March, 31
(9) Number of employees	768
(10) Major shareholders and ownership ratios	Kohnan: 80.00% Itochu Enex Co., Ltd.: 20.00%
(11) Main lenders	The Senshu Bank, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Corporate Bank, Ltd.
(12) Relationship between the parties	Kohnan Fleet is Enex's equity-method affiliate, and one of Kohnan Fleet's directors is seconded from Enex.

(13) Financial results for past three fiscal years

(Millions of yen)

Fiscal year ended March 31,	2006	2007	2008
Net sales	140,889	166,287	193,575
Operating income	56	53	164
Ordinary income	359	385	583
Net income	(75)	258	318

Total assets	45,863	49,417	63,258
Net assets	543	801	1,119
Per-share dividend (yen)	0.00	0.00	0.00

4. Outline of the business interests and the subsidiary to be transferred

(1) Outline of the business interests to be transferred

(a) In the business, Kohnan engages in wholesales of light oil and other petroleum products and real estate rental business.

(b) Kohnan Fleet has 139 retail outlets nationwide and engages in retail sales of light oil and other petroleum products.

(2) Financial results of the business interests to be transferred

(Millions of yen)

	Kohnan (petroleum sales business and Kohnan Fleet combined)	Enex	Ratio (a / b)
	Fiscal year ended March 31, 2008 (actual)		
	(a)	(b)	
Net sales	207,721	1,093,752	19.0%
Gross profit	13,065	66,010	19.8%
Operating income	27	7,700	0.4%
Ordinary income	825	8,306	9.9%

Note: Kohnan Fleet is the primary customer of Kohnan's petroleum sales business. The figures listed above include inter-company transactions that need to be eliminated.

(3) Assets and liabilities to be transferred (as of March 31, 2008)

(Millions of yen)

Assets		Liabilities	
Item	Book value	Item	Book value
Fixed assets	4,940		
Total	4,940	Total	0

Note: Fixed assets includes Kohnan Fleet stock.

(4) Assets and liabilities of the subsidiary to be transferred (as of March 31, 2008)

(Millions of yen)

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	61,003	Current liabilities	50,818
Fixed assets	2,255	Fixed liabilities	11,320
Total	63,258	Total	62,138

5. Number of Shares to Be Acquired in the Subsidiary Before and After the Transfer

(1) Before transfer: 26,400 shares (ownership: 20%; number of voting shares: 26,400)

(2) After transfer: 132,000 shares (ownership: 100%; number of voting shares: 132,000)

6. Outline of the listed company after the divestiture

(1) Corporate name	Itochu Enex Co., Ltd.
(2) Business operation	1. Sales of petrol products, LPG, high-pressure gas, and daily life products 2. Auto related business, urban gas business 3. Development of hydrogen energy, dimethyl ether (DME), and other alternative energies
(3) Head office	Meguro, Tokyo
(4) Representative	Akira Kodera, President
(5) Capital	JPY 19,877 million
(6) Net assets	JPY 83,707 million (consolidated)
(7) Total assets	JPY 255,127 million (consolidated)
(8) Fiscal year end	March 31

(9) Outline of accounting methods

This transaction will be accounted for in accord with the “Accounting Standards for Business Combinations” as approved by the Accounting Standards Board of Japan. The acquisition of the relevant business interests will result in goodwill the amount of which has not yet been finalized. Based on discussions with Enex’s audit firm on the amortization of the goodwill accrued, the goodwill will be amortized straight-line over a period during which its estimated effect will be recognizable.

(10) Future outlook

Enex is currently examining the potential impact of this transaction on its business results

for the fiscal year ending March 31, 2009, but believes that such impact will be negligible. Enex will issue an announcement if and when any significant impact is identified.