

FOR IMMEDIATE RELEASE
January 30, 2009

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Itochu Enex Reports Earnings for the Nine Months Ended December 31, 2008

Tokyo, Japan, January 30, 2009 -- Itochu Enex Co., Ltd. (TSE: 8133) announced net sales of 926,783 million yen for the first nine months (April 1 – September 30, 2008) of the fiscal year ending March 31, 2009, and net income of 3,899 million yen, or 39.28 yen per share.

Results of Operations

During the nine months ended December 31, 2008, the Japanese economy experienced a pronounced economic slowdown. The global financial crisis that originated in the United States caused a drastic slowdown in the real economy, the impacts of which were clearly apparent in Japanese companies' production levels, capital expenditure, employment, and earnings, as well as in personal spending trends.

In the petroleum distribution industry, domestic demand further weakened, due to both the steep drop in crude oil prices and the continued turmoil in downstream markets caused by the introduction of a new pricing structure for wholesalers. In the LPG distribution industry, the business environment continued to deteriorate due to the steep decline in the CP price and a drop in demand.

In September, Itochu Enex acquired Konan's petroleum sales business and made Konan Fleet a wholly owned subsidiary. In October, Itochu Enex launched a new Trade Business Division comprising the petroleum product domestic sales business and the petroleum product trade business (Japan-originated exports and imports) that it acquired from Itochu Corporation and the petroleum product logistics business that it acquired from Itochu Petroleum Japan Ltd., a wholly owned subsidiary of Itochu Corporation. The petroleum product logistics business acquired from Itochu Petroleum Japan covers the chartering of ships for Japan-originated imports and exports, the supply of shipping fuels, tank leasing, and sales of lubricants.

In this business environment, the Group's overall fuel oil sales volume for the nine months ended December 31, 2008, rose 16.5% versus the nine months ended December 31, 2007. Despite the impact of exogenous factors such the steep decline in domestic demand, we benefited from growth in numbers of new alliances and trading partners as well as the integration of the Trade Business Division into our operations. Gasoline sales volume increased 5.9%, kerosene sales volume dropped by 10.9%, while gasoil sales volume rose 39.1%. Meanwhile, LPG gas sales volume fell by 8.2% due to the cooling off of consumer sentiment.

As a result of the above factors, net sales were 926,783 million, up 19.5% versus the nine months ended December 31, 2007. Meanwhile, operating income rose 50.1% versus the year-ago period to 6,801 million yen due to the effects of cost-cutting efforts and the promotion of profitable sales such as those of middle distillates (kerosene, gasoil, heavy oil A). Ordinary income was 6,927 million yen, up 39.7% versus the year-ago period. Net income rose 61.4% versus the year-ago period to 3,899 million yen.

Financial Condition

Assets, Liabilities and Net Assets

Total assets amounted to 274,562 million yen at December 31, 2008, an increase of 19,435 million yen from March 31, 2008. This rise was primarily the result of an increase in assets associated with the transfer of business interests from Konan and making Konan Fleet a consolidated subsidiary, as well as the transfer of the petroleum products businesses formerly held by Itochu Corporation and Itochu Petroleum Japan. Interest-bearing debt increased 6,006 million yen to 43,252 million yen over the nine months to December 31, 2008. Despite dividend payments totaling 1,467 million yen, net assets at December 31, 2008, were up 5,736 million yen from March 31, 2008, to 89,443 million yen, due to net income of 3,899 million yen for the nine months ended December 31, 2008, as well as a 953 million yen increase in capital surplus in conjunction with the transfer of business interests. As a result, the shareholders' equity ratio was 31.8%.

Cash Flows

Cash and cash equivalents totaled 38,518 million yen at December 31, 2008, an increase of 4,609 million yen from March 31, 2008.

Net cash provided by operating activities was 22,036 million yen. This was primarily the result of 7,392 million yen in income before income taxes and minority interests, proceeds of 57,150 million yen from the collection of trade notes and accounts receivable, and proceeds of 6,429 million yen from a decrease in inventories, which were partly offset by outlays of 50,109 million yen to repay trade notes and accounts payable.

Net cash used in investing activities was 985 million yen. Major factors included income of 2,877 million yen attributable to the acquisition of shares in Konan Fleet, making it a consolidated subsidiary, and 1,789 million yen in proceeds from sales of investment securities, which were offset by outlays of 4,474 million yen for purchases of property, plant and equipment, and 1,596 million yen for purchases of intangible assets.

Net cash used in financing activities was 23,032 million yen, primarily due to outlays of 21,622 million yen for the repayment of debt and 1,577 million yen for the payment of dividends.

Outlook for the Fiscal Year Ending March 31, 2009

Several factors are helping to steadily expand our earnings base. We acquired certain business interests when we acquired Konan's petroleum business and made Konan Fleet a wholly owned subsidiary in September. We launched our Trade Business Division in October. This Division comprises the petroleum product domestic sales business and the petroleum product trade business (Japan-originated exports and imports) acquired from Itochu Corporation and the petroleum product logistics business acquired from Itochu Petroleum Japan, a wholly owned subsidiary of Itochu Corporation, which covers the chartering of ships for Japan-originated imports and exports, the supply of shipping fuels, tank leasing, and sales of lubricants.

In pursuit of potential synergistic benefits generated by the expansion of petroleum product distribution functions, the advantages of scale, and improved business efficiency, we will aim to build a solid base to support strategies for steady and strong growth in this first year of the Group's medium-term business plan, titled "Core & Synergy 2010."

The Group's business activities may be affected by a wide range of factors, including crude oil prices, the market environment, and climate change. However, no changes have been made to the outlook for full-year consolidated operating results announced on May 2, 2008.

Financial Statements—Consolidated

(1) Consolidated Balance Sheets

Millions of yen

	December 31, 2008	March 31, 2008
	Amount	Amount
Assets		
Current assets		
Cash and cash equivalents	38,518	33,909
Trade notes and accounts receivable	104,869	106,691
Merchandise	8,638	9,685
Deferred tax assets	1,437	1,638
Other	14,320	7,475
Allowance for doubtful accounts	(727)	(678)
Total current assets	167,057	158,721
Fixed assets		
Property, plant and equipment		
Buildings and structures	50,602	44,128
Accumulated depreciation	(29,257)	(24,879)
Buildings and structures, net	21,345	19,248
Machinery, equipment and vehicles	30,916	29,440
Accumulated depreciation	(21,959)	(20,637)
Machinery, equipment and vehicles, net	8,957	8,802
Land	35,292	32,796
Construction in progress	126	206
Other	6,410	4,575
Accumulated depreciation	(3,523)	(3,214)
Other, net	2,887	1,361
Net, property, plant and equipment	68,609	62,415
Intangible assets		
Goodwill	7,681	4,251
Other	3,132	2,730
Total intangible assets	10,813	6,981
Investments and other assets		
Investment securities	12,100	13,377
Long-term loans	3,338	2,629
Deferred tax assets	3,987	2,706
Other assets	10,594	9,551
Allowance for doubtful accounts	(1,939)	(1,255)
Total investments and other assets	28,081	27,009
Total fixed assets	107,504	96,406
Total assets	274,562	255,127

Millions of yen

	December 31, 2008	March 31, 2008
	Amount	Amount
Liabilities		
Current liabilities		
Trade notes and accounts payable	98,804	100,525
Short-term borrowings	19,995	17,183
Corporate bonds due within one year	1,144	-
Income taxes payable	2,087	2,402
Accrued bonuses for employees	1,285	2,194
Accrued bonuses for directors and corporate auditors	157	199
Other current liabilities	21,086	12,909
Total current liabilities	144,560	135,415
Long-term liabilities		
Corporate bonds	1,220	-
Long-term debt	20,892	20,062
Deferred tax liabilities	254	249
Deferred tax liabilities on land revaluation	3,154	3,190
Liabilities for retirement benefits	5,291	4,307
Other long-term liabilities	9,745	8,194
Total long-term liabilities	40,558	36,004
Total liabilities	185,118	171,419
Net assets		
Shareholders' equity		
Common stock	19,877	19,877
Capital surplus	18,736	17,783
Retained earnings	57,997	55,830
Treasury stock	(19)	(2,585)
Total shareholders' equity	96,592	90,906
Valuation and translation adjustments		
Unrealized gains on available-for-sale securities	(632)	(284)
Land revaluation difference	(8,527)	(8,836)
Total Valuation and translation adjustments	(9,160)	(9,120)
Minority interests	2,011	1,922
Total net assets	89,443	83,707
Total liabilities and net assets	274,562	255,127

(2) Consolidated Statements of Income

	Millions of yen
	Nine months ended December 31, 2008
	Amount
Net sales	926,783
Cost of sales	873,733
Gross profit	53,049
Selling, general and administrative expenses	46,247
Operating income	6,801
Other income	
Interest income	233
Dividend income	272
Purchase discounts	364
Gain on foreign currency translation	101
Other	614
Total other income	1,585
Other expense	
Interest expense	580
Sales discounts	341
Equity in loss of unconsolidated subsidiaries and associated companies	213
Other	323
Total other expense	1,459
Ordinary income	6,927
Extraordinary gains	
Gain on sales of property, plant and equipment	130
Gain on sales of investment securities	1,403
Reversal of allowance for doubtful accounts	194
Gain on sales of business	137
Total extraordinary gains	1,865
Extraordinary losses	
Loss on sales and disposal of property, plant and equipment	412
Loss on sales of investment securities	191
Loss on devaluation of investment securities	505
Loss on devaluation of golf club membership	54
Loss on impairment of long-lived assets	91
Reorganization losses	41
Head office relocation expense	104
Total extraordinary losses	1,401
Income before income taxes and minority interests	7,392
Income taxes	
Current	3,359
Deferred	(66)
Total income taxes	3,293
Minority interests in net income	199
Net income	3,899

(3) Consolidated Statements of Cash Flows

Millions of yen
Nine months ended
December 31, 2008

	Amount
Cash flows from operating activities	
Income before income taxes and minority interests	7,392
Depreciation and amortization	4,023
Loss on impairment of long-lived assets	91
Amortization of goodwill	1,441
Increase (decrease) in allowance for doubtful accounts	(221)
Increase (decrease) in provision for retirement benefits	500
Interest and dividend income	(505)
Interest expense	580
(Gain) loss on foreign currency translation	(101)
(Gain) loss on sales and disposal of property, plant and equipment	282
(Gain) loss on sales of business	(137)
(Gain) loss on sales of investment securities	(1,212)
(Gain) loss on devaluation of investment securities	505
Head office relocation expense paid	104
Reorganization losses	41
Loss on devaluation of golf club membership	54
Equity in (income) loss of unconsolidated subsidiaries and associated companies	213
(Increase) decrease in trade notes and accounts receivable	57,150
(Increase) decrease in inventories	6,429
Increase (decrease) in trade notes and accounts payable	(50,109)
Increase (decrease) in other assets and liabilities	(778)
Sub total	<u>25,745</u>
Interest and dividend income received	578
Interest paid	(663)
Income taxes paid	(3,624)
Net cash provided by (used in) operating activities	<u>22,036</u>
Cash flows from investing activities	
Purchases of property, plant and equipment	(4,474)
Proceeds from sales of property, plant and equipment	1,152
Purchases of intangible assets	(1,596)
Proceeds from sales of intangible assets	425
Purchases of investment securities	(763)
Proceeds from sales of investment securities	1,789
Purchases of investments in subsidiaries resulting in change in scope of consolidation	2,877
Payments for loans	(3,030)
Collection of loans	3,056
Other	(421)
Net cash provided by (used in) investing activities	<u>(985)</u>
Cash flows from financing activities	
Increase (decrease) in short-term bank - net	(16,676)
Proceeds from long-term debt	470
Repayments of long-term debt	(4,946)
Redemption of bonds	(250)
Repurchases of treasury stock	(18)
Dividends paid	(1,467)
Dividends paid to minority shareholders of consolidated subsidiaries	(110)
Other	(33)
Net cash provided by (used in) financing activities	<u>(23,032)</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,981)</u>
Cash and cash equivalents, beginning of the period	33,909
Increase in cash and cash equivalents resulting from corporate acquisitions and splits	6,590
Cash and cash equivalents, end of the period	<u>38,518</u>

Effective this fiscal year, the Company has adopted the *Accounting Standards for Quarterly Financial Reporting* (ASBJ Statement No. 12) and its accompanying *Guidance on Accounting Standards for Quarterly Financial Reporting* (ASBJ Guidance No. 14). Consolidated financial statements for the period under review are prepared based on the Regulations on the Terminology, Format and Preparation of Quarterly Financial Statements.

(4) Notes on the going-concern assumption

Not applicable

(5) Segment Information

Industry segment information:

Nine months ended December 31, 2008 (April 1, 2008 – December 31, 2008)

	Industrial Material	Car Life	Energy Trade	Home Life	Total	Elimination /Corporate	Millions of yen Consolidated
Sales and operating income							
Sales							
(1) Sales to customers	114,648	664,755	50,006	97,372	926,783	—	926,783
(2) Intersegment sales	43	1,313	10,468	—	11,825	(11,825)	—
Total	114,692	666,069	60,474	97,372	938,608	(11,825)	926,783
Operating income	2,756	5,389	169	515	8,831	(2,029)	6,801

Notes: 1. Method of segmentation of business:

Business operations are categorized according to similarities in the way the goods are used by end consumers.

In October 2008, the Company acquired the petroleum products trade business and the logistics business for petroleum products from Itochu Corporation and Itochu Petroleum Japan Ltd. These petroleum product-related businesses fall into newly added business segment Energy Trade.

2. Main lines of business by segment

Industrial Material: Energy and material supplies for customers, high-pressure gas productions, asphalt, cement, LNG (liquefied natural gas), and sales of urea aqueous solution.

Car Life: Sales and services for car owners, mainly at car-life-stations, such as gasoline, heating oil, light diesel oil, heavy fuel oil, grease, automobile supplies, car inspection, maintenance, used cars.

Energy Trade: Import and export of petroleum products, domestic sales of petroleum products in Japan, chartering and operating of tankers, import and sales of marine fuels, sales of lubricating oil, operation of petroleum storage tanks and facilities.

Home Life: Sales of everyday goods and services such as liquefied petroleum gas, equipment (combustion equipment, kitchen equipment, air-conditioning equipment, and household equipment), commodities, catalogue merchandise, communication devices, books, and sundries.

Geographical Segment Information:

Not applicable

Overseas Sales:

Details are omitted from this report as overseas sales accounts for less than 10% of total sales.

(6) Significant changes in shareholders' equity during the period

The Company the petroleum products trade business and the logistics business for petroleum products from Itochu Corporation and Itochu Petroleum Japan Ltd. through a demerger on October 1, 2008. As a result, during the fiscal third quarter, capital surplus increased by 953 million yen and treasury stock decreased by 2,584 million yen. At the end of the fiscal third quarter, therefore, capital surplus was 18,736 million yen and treasury stock was 19 million yen.

Reference Material

Consolidated financial statements for the nine months ended December 31, 2007

(1) Consolidated Statements of Income

	Millions of yen
	Nine months ended December 31, 2007
	Amount
Net sales	775,389
Cost of sales	727,935
Gross profit	47,453
Selling, general and administrative expenses	42,922
Operating income	4,531
Other income	
Interest income	157
Dividend income	311
Purchase discounts	363
Equity in income of unconsolidated subsidiaries and associated companies	21
Other	562
Total other income	1,416
Other expense	
Interest expense	440
Sales discounts	274
Other	274
Total other expense	989
Ordinary income	4,958
Extraordinary gains	
Gain on sales of property, plant and equipment	263
Gain on reversal of allowance for doubtful accounts	43
Gain on sales of investment securities	193
Gain on change in equity interest	79
Total extraordinary gains	579
Extraordinary losses	
Loss on sales and disposal of property, plant and equipment	454
Loss on devaluation of investment securities	283
Loss on impairment of long-lived assets	97
Total extraordinary losses	835
Income before income taxes and minority interests	4,702
Income taxes	2,130
Minority interests in net income	155
Net income	2,416

(2) Consolidated Statements of Cash Flows

	Millions of yen Nine months ended December 31, 2007
	Amount
Cash flows from operating activities	
Income before income taxes and minority interests	4,702
Depreciation and amortization	4,092
Loss on impairment of long-lived assets	97
Amortization of goodwill	1,232
Increase (decrease) in allowance for doubtful accounts	(59)
Increase in provision for retirement benefits	524
Interest and dividend income	(469)
Interest expense	440
Equity in income of unconsolidated subsidiaries and associated companies	(21)
Gain on change in equity interest	(79)
(Gain) loss on devaluation of investment securities	283
Transfer to cash flows from investing activities	(2)
(Increase) decrease in trade notes and accounts receivable	(18,981)
(Increase) decrease in inventories	(2,235)
Increase decrease in trade notes and accounts payable	21,474
Increase in other current assets	(2,370)
Increase (decrease) in other current liabilities	(144)
Sub total	8,484
Interest and dividend income received	430
Interest paid	(502)
Income taxes paid	(2,759)
Net cash provided by (used in) operating activities	5,653
Cash flows from investing activities	
Purchases of property, plant and equipment	(3,572)
Proceeds from sales of property, plant and equipment	691
Purchases of intangible assets	(1,744)
Proceeds from sales of intangible assets	68
Purchases of investment securities	(1,582)
Proceeds from sales of investment securities	1,401
Proceeds from (outlays for) investments in subsidiaries resulting from change in scope of consolidation	627
Payments for loans	(2,073)
Collection of loans	2,431
Other	(818)
Net cash provided by (used in) investing activities	(4,569)
Cash flows from financing activities	
Decrease in short-term loans	(3,715)
Proceeds from long-term debt	1,200
Repayments of long-term debt	(1,993)
Proceeds from sales of treasury stock	5
Repurchases of treasury stock	(4)
Dividends paid by parent company	(1,467)
Dividends paid to minority shareholders of consolidated subsidiaries	(67)
Net cash provided by (used in) financing activities	(6,042)
Net increase (decrease) in cash and cash equivalents	(4,959)
Cash and cash equivalents, beginning of the period	33,297
Increase in cash and cash equivalents resulting from mergers and increased number of consolidated subsidiaries	232
Cash and cash equivalents, end of the period	28,570

(3) Segment Information

Industry segment information:

Nine months ended December 31, 2007 (April 1, 2007 – December 31, 2007)

	Industrial Material	Car Life	Home Life	Total	Elimination /Corporate	Millions of yen Consolidated
Sales	93,709	590,442	91,237	775,389	—	775,389
Operating expense	92,467	585,275	90,560	768,303	2,554	770,858
Operating income	1,241	5,167	676	7,086	(2,554)	4,531