

FOR IMMEDIATE RELEASE  
October 30, 2009

Itochu Enex Co., Ltd.  
Representative: Akira Kodera, President  
Stock code: 8133, Tokyo Stock Exchange, 1st Section  
Contact: Yoshiyuki Teraoka  
General Manager, Finance and Accounting Department  
<http://www.itcenex.com/english/>  
Tel: +81 3-6327-8010

## **Itochu Enex Reports Earnings for the Six Months ended September 30, 2009**

**Tokyo, Japan, October 30, 2009** -- Itochu Enex Co., Ltd. (TSE: 8133) announced net sales of 480,625 million yen for the six months ended September 30, 2009, and net income of 832 million yen, or 7.13 yen per share.

### **Results of Operations**

During the six months ended September 30, 2009, the Japanese economy showed signs of bottoming out in response to economic measures taken by the government in the face of the severe global economic downturn, but despite these positive signs, corporate earnings and the labor market exhibited no signs of a recovery, and personal spending remained weak. The weak economy also precipitated another year-over-year decline in energy industry demand.

In April of this year we took a first step toward the creation of a business group with a comprehensive competitive edge across the entire range of LPG operations, teaming up with Japan Energy Corporation and Nissho Petroleum Gas Corporation to launch a new primary distribution and wholesaling company called Japan Gas Energy Co., Ltd. ("JGE").

Moving into the second year of our Core & Synergy 2010 medium-term business plan, we have also embarked upon a number of organizational changes aimed at organically binding the various enterprise resources acquired during the plan's first year with a view to generating quantifiable synergistic effects.

As a step toward building new capabilities by commercializing new energy projects, this September we formed the Fuel Cell Solar & Electric Vehicle Business Department to develop businesses using the Group's domestic network.

Our overall fuel oil sales volume was impacted by a fall in demand precipitated by the weak economy in the six months ended September 30, 2009, while oil carrier and gasoil demand, in particular, fell far below our initial expectations due to sluggish goods distribution markets both in Japan and overseas.

Net sales fell 20.1% versus the six months ended September 30, 2008, to 480,625 million yen due to the drop in sales prices and decline in sales volume, despite the positive impact on sales from the Energy Trade Division, which was integrated into our operations in October 2008.

We booked consolidated operating income of 363 million yen, down 91.3% versus the six months ended September 30, 2008. Ordinary income fell 85.4% to 631 million yen, while net income fell 67.7% to 832 million yen.

## Segment Information

### *Industrial Material Division*

Net sales in the Industrial Material Division amounted to 41,753 million yen, while operating income was 7 million yen.

The Industrial Material Division continued to face a highly challenging business environment, as industrial demand for petroleum declined due to the protracted recession.

With the exception of some oil types, fuel oil sales volumes declined year over year. Profitability-wise, the division focused primarily on realizing positive sales margins as the persistently wide gap between supply and demand made it difficult to pass along costs.

The division began delivering LNG to a number of new customers in September and will continue working to acquire new LNG customers.

Itochu Industrial Gas Co., Ltd., a Group company that sells high-pressure gases, achieved stable sales of both medical-use gases and carbon dioxide gas, but sales of welding gas to the construction and automobile sectors was lackluster. As a result, Itochu Industrial Gas Co., Ltd.'s overall sales volume declined 16.7% year over year.

### *Car Life Division*

Net sales in the Industrial Material Division amounted to 232,820 million yen, while operating income was 465 million yen.

The Car Life Division faced various challenges during the six months ended September 30, 2009, making it difficult to pass along costs and appropriately set sales prices. Domestic gasoline retail prices rose continually in tandem with rising crude oil prices, consumers shifted into belt-tightening mode due to soaring prices of fuel oil, and there was a marked decline in domestic demand for gasoline and other petroleum products as use of fuel-efficient vehicles spread.

The Car Life Division continued to implement its strategy of gearing the Group's refueling station ("car-life stations") operations toward fulfilling customers' needs and further bolstered the Group's management base.

During the six months ended September 30, 2009, we closed 55 car-life stations and newly opened 45. Itochu Enex thus has a total of 2,164 car-life stations in operation at September 30, 2009, a net decrease of 10 car-life stations versus March 31, 2009.

The Car Enex *Itsumo* card (480,000 cards issued as of September 30, 2009) succeeded in maintaining sales volume through strategies to acquire new customers.

From this fiscal year, we have been developing *Itsumo Rent-A-Car* as a new earnings base for our car-life operations. *Itsumo Rent-A-Car* had 152 affiliated stores as of September 30, 2009, and is contributing to earnings from the Group's car-life station operations.

### *Energy Trade Division*

Net sales in the Energy Trade Division totaled 170,194 million yen, while the division booked an operating loss of 373 million yen.

The newly integrated Energy Trade Division faced ongoing business environment difficulties in the six months ended September 30, 2009, as recoveries have not eventuated following the decline in petroleum product demand and the significant falloff in tanker demand, both stemming from the global economic downturn ongoing since last fiscal year.

Domestic trading performance in the petroleum product trade business was in line with plans, but the business languished as profits fell markedly due to a drop in export and import trade.

Margins were unavoidably compressed in the shipping fuel oil business due to a softening of transport volumes in the wake of the economic downturn and intensifying price competition due to competitive bidding and other factors.

Consequently, we were unable to offset the decline in sales volume and margins despite

acquiring several new accounts by virtue of strengthening relationships with overseas suppliers.

The tanker chartering business unavoidably suffered a significant deterioration in earnings as spot vessel demand remained subdued amid the global slump in goods distribution and shipping rates tracked below our vessel costs.

We responded in earnest by deploying our vessels to demand regions around the globe, operating other companies' vessels on contract, handling charter shipping activities for the Itochu Group, and so forth, but were unable to offset the losses caused by the decline in shipping rates.

#### *Home Life Division*

Net sales in the Home Life Division amounted to 35,857 million yen, while the division booked operating income of 741 million yen.

Japan's ongoing economic slump and rising consumer interest in energy conservation perpetuated the downward trend in LPG unit consumption. Amid this trend, the transfer of the lorry wholesale business to Japan Gas Energy Co., Ltd. ("JGE," established on April 1, 2009) resulted in a significant year-over-year decline in LPG sales volume. On the other hand, stable LPG import prices allowed us to secure satisfactory margins, and we also worked to streamline business and cut costs at each of our regional sales subsidiaries. The division achieved considerable year-over-year profit growth as a result.

Amid this environment, the Home Life Division's LPG operation support system, G-Bingo, was progressively rolled out at all business locations of our regional sales subsidiaries and went into full operation. The G-Bingo system is designed to enhance operational efficiency. The division aims to capitalize on the system's installation by realizing an even-lower-cost structure. As a new source of earnings, the division launched a *W-hatsuden* (dual-power-generation) system that combines solar-power generation and Ene-Farm natural-gas power-generation systems. Sales and installation systems will be instituted by each of our regional sales subsidiaries, and we will also actively promote the systems as one means of bringing about a low-carbon society. We entered the upstream area through our investment and participation in JGE, and going forward we will work closely with JGE and JGE Group appointed agents to generate synergies with midstream and downstream operations.

#### **Financial Condition**

Total assets amounted to 235,493 million yen at September 30, 2009, a decrease of 12,094 million yen versus March 31, 2009. This was mainly due to a decrease in cash and cash equivalents due to the repayment of borrowings. Interest-bearing debt decreased 11,686 million yen to 29,542 million yen, while net assets increased 595 million yen to 91,482 million yen as 934 million yen in dividends paid was offset by our net income of 832 million yen and a 607 million yen increase in unrealized gains on available-for-sale securities. As a result, our shareholders' equity ratio was 37.9% at September 30, 2009.

#### *Cash Flows*

Cash and cash equivalents totaled 26,996 million yen at September 30, 2009, a decrease of 16,223 million yen versus March 31, 2009, mainly due to a reduction of interest-bearing debt.

Operating activities used net cash of 1,662 million yen. Main factors were 2,789 million yen in income before income taxes and minority interests, an outflow of 1,578 million yen due to an increase in inventories, and 2,923 million yen in income tax payments.

Investing activities used net cash of 1,798 million yen. Main factors were 3,159 million yen in purchases of investment securities, 2,123 million yen in purchases of property, plant and equipment, and 3,077 million yen in proceeds from sales of business.

Financing activities used net cash of 12,763 million yen. Main factors were 11,256 million

yen in repayments of borrowings, an outflow of 322 million yen due to bond redemptions, and 934 million yen for the payment of dividends.

### Consolidated Earnings Forecasts

Japan's energy industry has been hit by numerous unforeseen challenges, including the trend in oil carrier rates, crude oil prices, LPG import prices, and the effect of those factors on end-market conditions, which come on top of a decline in demand for petroleum products due to the economic slowdown. Nevertheless, we are working to develop our business globally to bolster our core businesses and generate synergies, in line with the objective of the Group's Core & Synergy 2010 medium-term management plan of using the plan's term as a time to rebuild the Enex Group's business base and set a growth trajectory by acquiring new enterprise resources, capabilities, and business models.

As we continue to work towards the quantitative and qualitative targets outlined in our Core & Synergy 2010 medium-term business plan, our focus during the current fiscal year—the plan's final year—centers around: (1) bolstering our core strengths and (2) enhancing our new capabilities.

To bolster our core strengths, we are working to reduce both costs and risk exposure by taking a rigorously selective and strategic approach to new capital expenditures while streamlining our existing operations by paring back overheads and low-efficiency assets wherever feasible. With regard to the second objective, we are enhancing those capabilities that support and strengthen our existing core operations while adding new capabilities through the commercialization of our alternative energy business and constructing a consumer-oriented retail network ahead of our competitors. As a first step toward enhancing our new capabilities, this September we established the Fuel Cell Solar and Electric Vehicle Business Department to develop business throughout Japan. The department is using the full range of channels available via the Group's domestic network to (1) promote distributed-power systems for the home that combine fuel cells and solar-power-generation systems and (2) to develop businesses associated with the electric vehicle industry with an eye to the anticipated proliferation of next-generation automobiles.

(millions of yen, except percentages)

	Full-year consolidated forecast	
	Amount	YoY change
Net sales	1,000,000	-14.1%
Operating income	7,400	-25.1%
Ordinary income	7,600	-25.7%
Net income	4,300	-20.6%

Looking ahead, we face numerous potentially adverse factors including oil price movements, market conditions, and climatic variations.

In light of operating performance and the business environment during the six months ended September 30, 2009, we revised our previously issued full-year earnings forecasts. For details of our previous forecasts, refer to "3. Outlook for the Fiscal Year ending March 31, 2010" in last fiscal year's full-year earnings release, titled "Itochu Enex Reports Earnings for the Fiscal Year ended March 31, 2009" and dated April 30, 2009.

## Financial Statements—Consolidated

### (1) Consolidated Balance Sheets

Millions of yen

	September 30, 2009	March 31, 2009
	Amount	Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	26,996	43,219
Trade notes and accounts receivable	80,153	79,596
Merchandise and finished products	9,774	8,195
Deferred tax assets	1,853	2,120
Other	10,581	9,439
Allowance for doubtful accounts	(531)	(682)
Total current assets	128,827	141,888
<b>Fixed assets</b>		
Property, plant and equipment		
Buildings and structures	50,848	50,450
Accumulated depreciation	(30,128)	(29,537)
Buildings and structures, net	20,720	20,912
Machinery, equipment and vehicles	31,062	30,853
Accumulated depreciation	(22,725)	(22,131)
Machinery, equipment and vehicles, net	8,337	8,721
Land	35,289	35,454
Leased assets	2,758	2,032
Accumulated depreciation	(490)	(233)
Leased assets, net	2,267	1,798
Construction in progress	325	92
Other	4,921	4,848
Accumulated depreciation	(3,617)	(3,450)
Other, net	1,304	1,398
Net, property, plant and equipment	68,244	68,378
Intangible assets		
Goodwill	5,689	6,561
Other	2,926	3,083
Total intangible assets	8,616	9,645
Investments and other assets		
Investment securities	15,541	12,259
Long-term loans	2,465	3,366
Deferred tax assets	3,308	3,844
Other assets	9,820	9,677
Allowance for doubtful accounts	(1,331)	(1,473)
Total investments and other assets	29,803	27,674
Total fixed assets	106,665	105,698
Total assets	235,493	247,587

	September 30, 2009	Millions of yen March 31, 2009
	Amount	Amount
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade notes and accounts payable	75,759	74,536
Short-term borrowings	16,739	19,519
Corporate bonds due within one year	594	644
Lease obligations	692	519
Income taxes payable	1,423	2,882
Accrued bonuses for employees	2,440	2,407
Accrued bonuses for directors and corporate auditors	138	213
Other current liabilities	14,029	16,172
Total current liabilities	111,817	116,895
<b>Long-term liabilities</b>		
Corporate bonds	876	1,148
Long-term debt	11,333	19,917
Lease obligations	2,229	1,629
Deferred tax liabilities	244	236
Deferred tax liabilities on land revaluation	3,095	3,127
Liabilities for retirement benefits	5,640	5,219
Other long-term liabilities	8,774	8,526
Total long-term liabilities	32,192	39,804
Total liabilities	144,010	156,700
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	19,877	19,877
Capital surplus	18,736	18,736
Retained earnings	59,385	59,462
Treasury stock	(20)	(19)
Total shareholders' equity	97,979	98,057
<b>Valuation and translation adjustments</b>		
Unrealized gains on available-for-sale securities	(228)	(836)
Revaluation reserve for land	(8,480)	(8,456)
Total valuation and translation adjustments	(8,708)	(9,292)
<b>Minority interests</b>		
	2,212	2,121
Total net assets	91,482	90,886
Total liabilities and net assets	235,493	247,587

## (2) Consolidated Statements of Income

	Six months ended September 30, 2008	Millions of yen Six months ended September 30, 2009
	Amount	Amount
Net sales	601,759	480,625
Cost of sales	569,773	450,839
Gross profit	31,985	29,786
Selling, general and administrative expenses	27,827	29,423
Operating income (loss)	4,157	363
Other income		
Interest income	109	105
Dividend income	225	195
Purchase discounts	264	114
Gain on foreign currency translation	-	40
Equity in income of unconsolidated subsidiaries and associated companies	-	9
Other	487	453
Total other income	1,087	919
Other expense		
Interest expense	307	340
Sales discounts	242	116
Equity in loss of unconsolidated subsidiaries and associated companies	139	-
Other	233	194
Total other expense	922	651
Ordinary income	4,322	631
Extraordinary gains		
Gain on sales of property, plant and equipment	59	42
Gain on sales of investment securities	1,401	52
Reversal of allowance for doubtful accounts	76	34
Gain on change in equity interest	-	2,415
Gain on sales of business	131	-
Total extraordinary gains	1,669	2,543
Extraordinary losses		
Loss on sales and disposal of property, plant and equipment	220	311
Loss on sales of investment securities	184	-
Loss on devaluation of investment securities	503	-
Loss on devaluation of golf club membership	28	-
Reorganization losses	41	-
Loss on impairment of long-lived assets	59	73
Head office relocation expense	103	-
Total extraordinary losses	1,141	385
Income before income taxes and minority interests	4,850	2,789
Income taxes		
Current	2,575	1,429
Deferred	(484)	358
Total income taxes	2,091	1,787
Minority interests	177	168
Net income	2,581	832

### (3) Consolidated Statements of Cash Flows

	Six months ended Sept. 30, 2008 Amount	Millions of yen Six months ended Sept. 30, 2009 Amount
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	4,850	2,789
Depreciation and amortization	2,599	3,123
Loss on impairment of long-lived assets	59	73
Amortization of goodwill	830	1,140
Increase (decrease) in allowance for doubtful accounts	26	5
Increase (decrease) in liabilities for retirement benefits	304	421
Interest and dividend income	(335)	(301)
Interest expense	307	340
(Gain) loss on foreign currency translation	-	(107)
(Gain) loss on sales and disposal of property, plant and equipment	161	269
(Gain) loss on sales of business	(131)	-
(Gain) loss on change in equity interest	-	(2,415)
(Gain) loss on sales of investment securities	(1,217)	(52)
(Gain) loss on devaluation of investment securities	503	-
Head office relocation expense paid	103	-
Reorganization losses	41	-
Loss on devaluation of golf club membership	28	-
Equity in (income) loss of unconsolidated subsidiaries and associated companies	139	(9)
(Increase) decrease in trade notes and accounts receivable	15,639	(556)
(Increase) decrease in inventories	(61)	(1,578)
Increase (decrease) in trade notes and accounts payable	(14,221)	1,222
Increase (decrease) in other assets and liabilities	(1,546)	(3,113)
Sub total	8,080	1,251
Interest and dividend income received	395	344
Interest paid	(301)	(334)
Income taxes paid	(2,303)	(2,923)
<b>Net cash provided by (used in) operating activities</b>	<b>5,870</b>	<b>(1,662)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(2,979)	(2,123)
Proceeds from sales of property, plant and equipment	306	96
Purchases of intangible assets	(1,146)	(846)
Proceeds from sales of intangible assets	406	12
Proceeds from sales of business	-	3,077
Purchases of investment securities	(351)	(3,159)
Proceeds from sales of investment securities	1,783	350
Purchases of investments in subsidiaries resulting in change in scope of consolidation	2,877	-
Payments for loans	(1,515)	(512)
Collection of loans	1,842	1,131
Other	(547)	176
<b>Net cash provided by (used in) investing activities</b>	<b>674</b>	<b>(1,798)</b>
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term borrowings - net	(1,191)	(5,218)
Proceeds from long-term debt	120	-
Repayments of long-term debt	(4,423)	(6,038)
Redemption of bonds	-	(322)
Repayments of lease obligations	-	(171)
Repurchases of treasury stock	(15)	(0)
Dividends paid	(733)	(934)
Dividends paid to minority shareholders of consolidated subsidiaries	(110)	(77)
<b>Net cash provided by (used in) financing activities</b>	<b>(6,355)</b>	<b>(12,763)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>189</b>	<b>(16,223)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>33,909</b>	<b>43,219</b>
<b>Cash and cash equivalents, end of the period</b>	<b>34,098</b>	<b>26,996</b>



#### (4) Notes on the going-concern assumption

Not applicable

#### (5) Segment Information

Industry segment information:

Six months ended September 30, 2008 (April 1, 2008 – September 30, 2008)

	Industrial Material	Car Life	Home Life	Total	Elimination/ Corporate	Millions of yen Consolidated
Sales						
(1) Sales to customers	80,969	455,520	65,269	601,759	-	601,759
(2) Intersegment sales and transfers	-	-	-	-	(-)	-
Total	80,969	455,520	65,269	601,759	(-)	601,759
Operating income	1,496	3,460	501	5,458	(1,300)	4,157

Six months ended September 30, 2009 (April 1, 2009 – September 30, 2009)

	Industrial Material	Car Life	Energy Trade	Home Life	Total	Elimination/ Corporate	Millions of yen Consolidated
Sales							
(1) Sales to customers	41,753	232,820	170,194	35,857	480,625	-	480,625
(2) Intersegment sales or transfers	525	4,372	14,787	-	19,685	(19,685)	-
Total	42,278	237,192	184,982	35,857	500,310	(19,685)	480,625
Operating income (loss)	700	465	(373)	741	1,533	(1,170)	363

Notes: 1. Method of segmentation of business:

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

2. Main lines of business by segment

Industrial Material:

Energy and material supplies for customers, high-pressure gas production, and sales of asphalt, cement, LNG (liquefied natural gas), urea aqueous solution, and other materials.

Car Life:

Consumer sales and services, mainly at car-life-stations, including gasoline, heating oil, light diesel oil, heavy fuel oil, grease, automobile supplies, car inspections, maintenance, used cars, and car rental services.

Energy Trade:

Import and export of petroleum products, regulation of supply of and demand for petroleum products in Japan, chartering and operation of tankers, import and sale of marine fuels, purchase and sale of lubricating oil, logistics services for 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, and sundries.

### 3. Additional information

(1) During the three months ended December 31, 2008, the Company acquired the petroleum products trade business and the petroleum products logistics business of Itochu Corporation and Itochu Petroleum Japan Ltd., respectively. These petroleum product-related businesses are categorized as a newly added business segment, Energy Trade.

(2) During the three months ended June 30, 2009, to streamline business management, the Company consolidated overlapping businesses of the Company and its consolidated subsidiaries and reorganized segments as follows.

- The Company's "special sales" business was transferred to consolidated subsidiary Kokura Kosan Energy Co., Ltd., and reclassified from the Car Life Division to the Energy Trade Division.
- Kokura Kosan Energy Co., Ltd.'s marine fuel business was transferred to the Company and reclassified from the Car Life Division to the Industrial Material Division.

Segment information based on the new segment classifications used for the six months ended September 30, 2008, is as follows.

#### Six months ended September 30, 2008 (April 1, 2008 – September 30, 2008)

	Industrial Material	Car Life	Energy Trade	Home Life	Total	Elimination/ Corporate	Millions of yen Consolidated
Sales							
(1) Sales to customers	79,366	321,272	135,850	65,269	601,759	-	601,759
(2) Intersegment sales	-	-	-	-	-	(-)	-
Total	79,366	321,272	135,850	65,269	601,759	(-)	601,759
Operating income	1,527	2,460	969	501	5,458	(1,300)	4,157

#### Geographical Segment Information:

Six months ended September 30, 2008 (April 1, 2008 – September 30, 2008) and  
six months ended September 30, 2009 (April 1, 2009 – September 30, 2009)

Not applicable

#### Overseas Sales:

Six months ended September 30, 2008 (April 1, 2008 – September 30, 2008)

Not applicable

Six months ended September 30, 2009 (April 1, 2009 – September 30, 2009)

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**

Not applicable