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Itochu Enex Reports Earnings for the Three Months ended June 30, 2009

Tokyo, Japan, July 31, 2009 -- Itochu Enex Co., Ltd. (TSE: 8133) announced net sales of 228,093 million yen for the three months ended June 30, 2009, and net income of 874 million yen, or 7.48 yen per share.

Results of Operations

Consumer spending remained sluggish throughout the three months ended June 30, 2009, with the severe global economic downturn continuing to impact on corporate earnings and labor market conditions. Oil prices followed a sharp uptrend, however, in anticipation of a near-term bottom in the economic cycle.

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.

Our overall fuel oil sales volume was up 33.5% versus the three months ended June 30, 2008, despite a significant exogenous shock to domestic demand, reflecting integration-driven gains stemming from the October 2008 launch of our Trade Business Division as well as the addition of a number of new affiliate service stations and new business partners. Gasoline sales volume was up 5.1% versus the three months ended June 30, 2008, kerosene sales were up 21.6%, gas oil sales rose 17.4%, and heavy oil sales volume ascended by 129.4%. LPG sales dropped 34.1% on the year as the Group's lorry sales business was transferred to JGE.

The increase in overall sales volume was not enough to make up for a steep drop in sales prices, however, and total net sales fell 20.5% versus the three months ended June 30, 2008, to 228,093 million yen. We ended up booking a consolidated operating loss of 161 million yen (a 1,865 million yen deterioration versus the three months ended June 30, 2008) despite concerted efforts to cut costs, with profit margins proving impossible to maintain in the face of such sluggish market conditions both in Japan and overseas. Our ordinary income of 44 million yen was down 97.8% versus the three months ended June 30, 2008, while net income fell 48.0% to 874 million yen.

Financial Condition

Total assets amounted to 249,833 million yen at June 30, 2009, an increase of 2,246 million yen versus March 31, 2009. This was mainly due to an increase in trade notes and accounts receivable as well as the acquisition of affiliates' shares. Interest-bearing debt decreased 3,749 million yen to 37,479 million yen, while net assets increased 660 million yen to 91,547 million yen as 934 million yen in dividend payments was offset by our net income of 874 million yen and 717 million yen in unrealized gains on available-for-sale securities.

Cash Flows

Cash and cash equivalents decreased 9,596 million yen versus March 31, 2009, to 33,623 million yen.

Operating activities used net cash of 3,796 million yen. Main factors were a 6,496 million yen increase in trade notes and accounts receivable, a 1,811 million yen increase in inventories, a 6,778 million yen inflow associated with an increase in trade notes and accounts payable, and 2,847 million yen in income tax payments.

Investing activities used net cash of 973 million yen. Main factors were 3,147 million yen in purchases of investment securities, 1,074 million yen in purchases of property, plant and equipment, and 2,980 million yen in proceeds from sales of business.

Financing activities used net cash of 4,825 million yen. Main factors were 3,499 million yen in debt repayments, 250 million yen in bond redemptions, and 934 million yen in dividend payments.

Consolidated Earnings Forecasts

Japan's energy industry has been hit by numerous unforeseen challenges over the past few months—including sharp increases in oil and LPG import prices, the resulting impact on downstream demand, and a decline in demand for petroleum products attributable to the deteriorating health of the economy. Nevertheless, we are working to generate quantitative synergies between newly acquired enterprise resources and our core operations and working to expand those core operations, which center on our domestic network.

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 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 overhead 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.

(millions of yen, except percentages)

	Full-year consolidated forecast	
	Amount	YoY change
Net sales	1,180,000	+1.3%
Operating income	10,200	+3.2%
Ordinary income	10,200	-0.3%
Net income	5,500	+1.5%

Note that our full-year forecasts remain unchanged from those issued April 30, 2009, although we remain conscious of numerous potentially adverse factors including oil price movements, market conditions, and climatic variations.

Financial Statements—Consolidated

(1) Consolidated Balance Sheets

Millions of yen

	June 30, 2009	March 31, 2009
	Amount	Amount
Assets		
Current assets		
Cash and cash equivalents	33,623	43,219
Trade notes and accounts receivable	86,092	79,596
Merchandise and finished products	10,007	8,195
Deferred tax assets	1,851	2,120
Other	10,736	9,439
Allowance for doubtful accounts	(628)	(682)
Total current assets	<u>141,682</u>	<u>141,888</u>
Fixed assets		
Property, plant and equipment		
Buildings and structures	50,564	50,450
Accumulated depreciation	(29,963)	(29,537)
Buildings and structures, net	<u>20,601</u>	<u>20,912</u>
Machinery, equipment and vehicles	30,865	30,853
Accumulated depreciation	(22,425)	(22,131)
Machinery, equipment and vehicles, net	<u>8,440</u>	<u>8,721</u>
Land	35,386	35,454
Leased assets	2,486	2,032
Accumulated depreciation	(356)	(233)
Leased assets, net	<u>2,129</u>	<u>1,798</u>
Construction in progress	560	92
Other	4,868	4,848
Accumulated depreciation	(3,523)	(3,450)
Other, net	<u>1,345</u>	<u>1,398</u>
Net, property, plant and equipment	<u>68,463</u>	<u>68,378</u>
Intangible assets		
Goodwill	6,125	6,561
Other	2,979	3,083
Total intangible assets	<u>9,104</u>	<u>9,645</u>
Investments and other assets		
Investment securities	15,781	12,259
Long-term loans	3,248	3,366
Deferred tax assets	3,401	3,844
Other assets	9,615	9,677
Allowance for doubtful accounts	(1,463)	(1,473)
Total investments and other assets	<u>30,583</u>	<u>27,674</u>
Total fixed assets	<u>108,151</u>	<u>105,698</u>
Total assets	<u>249,833</u>	<u>247,587</u>

	Millions of yen	
	June 30, 2009	March 31, 2009
	Amount	Amount
Liabilities		
Current liabilities		
Trade notes and accounts payable	81,315	74,536
Short-term borrowings	16,864	19,519
Corporate bonds due within one year	594	644
Lease obligations	612	519
Income taxes payable	1,160	2,882
Accrued bonuses for employees	2,110	2,407
Accrued bonuses for directors and corporate auditors	94	213
Other current liabilities	16,023	16,172
Total current liabilities	118,775	116,895
Long-term liabilities		
Corporate bonds	948	1,148
Long-term debt	19,072	19,917
Lease obligations	2,006	1,629
Deferred tax liabilities	242	236
Deferred tax liabilities on land revaluation	3,123	3,127
Liabilities for retirement benefits	5,425	5,219
Other long-term liabilities	8,692	8,526
Total long-term liabilities	39,511	39,804
Total liabilities	158,286	156,700
Net assets		
Shareholders' equity		
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
Valuation and translation adjustments		
Unrealized gains on available-for-sale securities	(118)	(836)
Revaluation reserve for land	(8,438)	(8,456)
Total Valuation and translation adjustments	(8,557)	(9,292)
Minority interests		
	2,125	2,121
Total net assets	91,547	90,886
Total liabilities and net assets	249,833	247,587

(2) Consolidated Statements of Income

	Three months ended June 30, 2008	Millions of yen Three months ended June 30, 2009
	Amount	Amount
Net sales	286,827	228,093
Cost of sales	271,029	213,540
Gross profit	15,798	14,552
Selling, general and administrative expenses	14,094	14,713
Operating income (loss)	1,704	(161)
Other income		
Interest income	54	50
Dividend income	223	195
Purchase discounts	131	56
Equity in income of unconsolidated subsidiaries and associated companies	43	19
Other	303	280
Total other income	756	602
Other expense		
Interest expense	166	183
Sales discounts	121	66
Gain (loss) on foreign currency translation	-	25
Other	97	121
Total other expense	385	396
Ordinary income	2,074	44
Extraordinary gains		
Gain on sales of property, plant and equipment	26	18
Gain on sales of investment securities	1,401	23
Reversal of allowance for doubtful accounts	74	38
Gain on change in equity interest	-	2,415
Gain on sales of business	116	-
Total extraordinary gains	1,618	2,496
Extraordinary losses		
Loss on sales and disposal of property, plant and equipment	99	133
Loss on devaluation of investment securities	502	-
Loss on impairment of long-lived assets	8	38
Total extraordinary losses	610	172
Income before income taxes and minority interests	3,082	2,369
Income taxes		
Current	1,165	1,192
Deferred	167	221
Total income taxes	1,332	1,413
Minority interests	70	81
Net income	1,679	874

(3) Consolidated Statements of Cash Flows

	Three months ended June 30, 2008	Millions of yen Three months ended June 30, 2009
	Amount	Amount
Cash flows from operating activities		
Income before income taxes and minority interests	3,082	2,369
Depreciation and amortization	1,240	1,454
Loss on impairment of long-lived assets	8	38
Amortization of goodwill	400	568
Increase (decrease) in allowance for doubtful accounts	(15)	(63)
Increase (decrease) in liabilities for retirement benefits	84	205
Interest and dividend income	(277)	(245)
Interest expense	166	183
(Gain) loss on sales and disposal of property, plant and equipment	72	114
(Gain) loss on sales of business	(116)	-
(Gain) loss on change in equity interest	-	(2,415)
(Gain) loss on sales of investment securities	(1,401)	(23)
(Gain) loss on devaluation of investment securities	502	-
Equity in (income) loss of unconsolidated subsidiaries and associated companies	(43)	(19)
(Increase) decrease in trade notes and accounts receivable	7,045	(6,496)
(Increase) decrease in inventories	(1,674)	(1,811)
Increase (decrease) in trade notes and accounts payable	(1,825)	6,778
Increase (decrease) in other assets and liabilities	(1,577)	(1,550)
Sub total	<u>5,672</u>	<u>(912)</u>
Interest and dividend income received	292	238
Interest paid	(241)	(275)
Income taxes paid	(2,458)	(2,847)
Net cash provided by (used in) operating activities	<u>3,265</u>	<u>(3,796)</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(992)	(1,074)
Proceeds from sales of property, plant and equipment	375	69
Purchases of intangible assets	(419)	(505)
Proceeds from sales of intangible assets	65	5
Proceeds from sales of business	-	2,980
Purchases of investment securities	(4)	(3,147)
Proceeds from sales of investment securities	1,657	286
Payments for loans	(850)	(195)
Collection of loans	805	367
Other	301	241
Net cash provided by (used in) investing activities	<u>938</u>	<u>(973)</u>
Cash flows from financing activities		
Increase (decrease) in short-term borrowings - net	(256)	(2,480)
Repayments of long-term debt	(190)	(1,019)
Redemption of bonds	-	(250)
Repayments of lease obligations	-	(63)
Repurchases of treasury stock	(0)	(0)
Dividends paid	(733)	(934)
Dividends paid to minority shareholders of consolidated subsidiaries	(110)	(78)
Net cash provided by (used in) financing activities	<u>(1,291)</u>	<u>(4,825)</u>
Net increase (decrease) in cash and cash equivalents	<u>2,912</u>	<u>(9,596)</u>
Cash and cash equivalents, beginning of the period	<u>33,909</u>	<u>43,219</u>
Cash and cash equivalents, end of the period	<u>36,821</u>	<u>33,623</u>

(4) Notes on the going-concern assumption

Not applicable

(5) Segment Information

Industry segment information:

Three months ended June 30, 2008 (April 1, 2008 – June 30, 2008)

	Industrial Material	Car Life	Home Life	Total	Elimination /Corporate	Millions of yen Consolidated
Sales						
(1) Sales to customers	37,217	215,900	33,710	286,827	-	286,827
(2) Intersegment sales	-	-	-	-	(-)	-
Total	37,217	215,900	33,710	286,827	(-)	286,827
Operating income	951	997	274	2,223	(519)	1,704

Three months ended June 30, 2009 (April 1, 2009 – June 30, 2009)

	Industrial Material	Car Life	Energy Trade	Home Life	Total	Elimination /Corporate	Millions of yen Consolidated
Sales							
(1) Sales to customers	19,755	108,688	81,156	18,492	228,093	-	228,093
(2) Intersegment sales	389	3,807	7,102	-	11,300	(11,300)	-
Total	20,145	112,495	88,258	18,492	239,393	(11,300)	228,093
Operating income (loss)	157	328	(553)	494	426	(588)	(161)

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 productions, asphalt, cement, LNG (liquefied natural gas), and sales of urea aqueous solution.

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 three months ended June 30, 2008, is as follows.

Three months ended June 30, 2008 (April 1, 2008 – June 30, 2008)

	Industrial Material	Car Life	Energy Trade	Home Life	Total	Elimination /Corporate	Millions of yen Consolidated
Sales							
(1) Sales to customers	37,023	153,956	62,137	33,710	286,827	-	286,827
(2) Intersegment sales	-	-	-	-	-	(-)	-
Total	37,023	153,956	62,137	33,710	286,827	(-)	286,827
Operating income (loss)	856	1,180	(87)	274	2,223	(519)	1,704

Geographical Segment Information:

Three months ended June 30, 2008 (April 1, 2008 – June 30, 2008) and
three months ended June 30, 2009 (April 1, 2009 – June 30, 2009)

Not applicable

Overseas Sales:

Three months ended June 30, 2008 (April 1, 2008 – June 30, 2008)

Not applicable

Three months ended June 30, 2009 (April 1, 2009 – June 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