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Itochu Enex Reports Earnings for the Fiscal Year ended March 31, 2012 (Under Japanese GAAP)

Tokyo, Japan, May 2, 2012 -- Itochu Enex Co., Ltd. (TSE: 8133) announced net sales of 1,414,161 million yen for the fiscal year ended March 31, 2012, and net income of 3,893 million yen, or 34.22 yen per share.

Results of Operations

In the fiscal year ended March 31, 2012, while the Japanese economy weakened due to the impact of the Great East Japan Earthquake, a recovery trend continued as supply chains were subsequently restored. However, the pace of recovery was slow due to protracted yen appreciation and instability in overseas economies, and the economy remained weak overall.

In the petroleum products distribution industry, crude oil prices rose, triggered by the situation in the Middle East, and remained at a high level due to geopolitical risks. Excluding heavy oil which was further demanded for power generation, domestic demand for crude oil declined year on year, owing to the impact of the Great East Japan Earthquake and the slow pace of economic recovery.

In this operating environment, the Itochu Enex Group launched a new medium-term business plan, Core & Synergy 2013, and worked to strengthen and improve the core petroleum product sales business. In addition, we pushed ahead with the development of the electric power business through new Group companies JEN Holdings Co., Ltd. and IP Power Systems Corporation, and actively engaged in business in overseas markets. We also established the Total-Life Division to create a new lifestyle by delivering eco energy, and actively implemented a new business model as a company that proposes an optimal mix of energy. Thus we have pursued a growth strategy.

As a result of the above activities, consolidated net sales in the fiscal year ended March 31, 2012 significantly increased 19.3% year on year to 1,414,161 million yen, as a sharp increase in crude oil prices led to higher product prices. Meanwhile, despite our efforts to strengthen business foundations by carrying out a structural reorganization in the Group, and to reduce costs by streamlining operations, consolidated operating income decreased 0.6% year on year to 8,973 million yen, and consolidated ordinary income decreased 1.6% year on year to 9,470 million yen. This is because of shrinking profit margins due to continued soaring prices of crude oil and LP gas that began in the fourth quarter. Consolidated net income rose 0.2% year on year to 3,893 million yen due to improvement in extraordinary losses and gains compared to the previous year.

Segment Information

Since the Company has added new reporting segments and reconfigured the segments as described in the segment information, figures for th previous year have been restated to reflect the reportable segments for the fiscal year ended March 31, 2012.

Industrial Material Division

The Industrial Material Division earned operating income of 2,076 million yen (up 18.6% year on year) on net sales of 146,780 million yen (up 38.9% year on year) in the fiscal year ended March 31, 2012.

In the petroleum product sales business, active efforts were made to secure new customers and improvement in distribution functions with newly established asphalt bases in Hokkaido and Osaka areas. As a result, sales volume increased, mainly for kerosene, gas oil, grade A heavy oil, and asphalt, etc., which supported an increase in operating income year on year, in spite of adverse effects of a decrease in demand caused by the Great East Japan Earthquake.

In the general high-pressure gas business, sales volume declined year on year, impacted by lower factory operating ratios in the industry.

On the other hand, JEN Holdings Co., Ltd., which joined the Group on March 31, 2011, achieved a higher sales and profits than planned in its on-site electricity and steam supply business, reflecting a sales increase due to prices remaining high in the wholesale electricity spot market due to a tight supply and demand situation, and higher operating rates at customer facilities.

The enhancement of the national distribution network was completed with the November 2011 opening of the 17th delivery base for AdBlue®, a high-grade urea solution, in Niigata prefecture.

Car-Life Division

The Car-Life Division earned operating income of 5,052 million yen (up 11.8% year on year) on net sales of 562,620 million yen (up 5.7% year on year) in the fiscal year ended March 31, 2012.

Despite a drop in domestic demand resulting from the impacts of the Great East Japan Earthquake, higher crude oil prices, and the popularization of fuel-efficient vehicles, sales volume was firm owing to enhanced sales ability of Car-Life Station affiliates[1] with expanded retail functions, as well as aggressive efforts to expand the division’s business base with more new CS affiliates. The division also reported an increase in operating income year on year thanks to business rationalization of each Group company and success in strengthening the business foundation through the restructuring of Group companies implemented in the previous year.

In the "ACT Program[2]" which was promoted to boost the competitiveness of Car-Life Stations of Group companies, a business improvement program was conducted for a record number of participating Car-Life Stations in order to support the establishment of sound management of those stations.

The number of Car-Life Stations of Group companies at the end of the fiscal year ended March 31, 2012 was 2,157, a net increase of 13 stations from the end of the previous fiscal year. During the fiscal year, we added 76 newly affiliated stations, owing to aggressive efforts to expand the number of our CS affiliates to enhance our business infrastructure, and lost 63 through closure or disaffiliation due to unprofitable business amid the ongoing decline in the number of gas stations in Japan.

Furthermore, we have implemented medium- and long-term support measures for recovery and restoration from the Great East Japan Earthquake, and progressed in the construction of our Car-Life Station network, which performs a vital role as energy supply infrastructure in times of emergency.

(Note 1) Car-Life Stations: Car-Life Stations are full-service automobile service stations affiliated with Itochu Enex.

(Note 2) ACT Program: ACT stands for "Area Champion Trial." Under this program, we work closely with Car-Life Station operators to raise their competitiveness by analyzing their station operations and competitive climate, conducting group training, and engaging in other activities.

Global Trade Division

In the fiscal year ended March 31, 2012, the Global Trade Division earned operating income of 1,104 million yen (up 14.1% year on year) on net sales of 603,832 million yen (up 33.9% year on year).

The division's petroleum products trading business faced a difficult operating environment due to a drop in domestic demand and wild fluctuation in prices of crude oil and products. However, it accumulated transactions in response to changes in markets, and strengthened ties with Group company Kokura Enterprise Energy Co., Ltd. These efforts ensured increases in sales volume and profitability from the previous year.

In the marine fuel sales business, overseas operation was affected by the shrinking of the difference between domestic and foreign prices as well as yen appreciation. However, in domestic operation, which the division took control of from this fiscal year, the distribution network was reinforced with the deployment of dedicated fuel supply ships. Consequently, as sales volume significantly expanded, an increase in profit was ensured year on year.

In the tanker business, despite tanker rates remaining low, profitability improved from a year earlier as a result of cost reductions for company-owned vessels, increased operating efficiency for company-managed vessels, and the active provision of chartering and vessel operation services.

Meanwhile, the Project & Investment Department, newly established in the current fiscal year, invested and participated in import and wholesale business of petroleum products in the Pacific area by obtaining 25% of stocks of IP&E Palau, Inc. in Republic of Palau in December 2011. Triggered by this project, the Project & Investment Department is actively gathering broad information and examining prospective projects in preparation for the further development of overseas businesses, using expertise on the downstream field in overseas markets, which is the greatest strength of the Group.

Home-Life Division

In the fiscal year ended March 31, 2012, the Home-Life Division earned operating income of 3,723 million yen (up 0.9% year on year) on net sales of 96,426 million yen (up 1.6% year on year).

In the fourth quarter, when LP gas is most in demand, LP gas sales volume, mainly for domestic use, increased year on year due to lower temperatures all over Japan. However, the sales volume through the fiscal year declined from a year earlier, impacted by a drop in demand until the third quarter.

While LP gas import prices reached a historic high in March, with higher crude oil prices and increasing demand in Asian countries, a fair return was secured thanks to the introduction and penetration of the gas rate adjustment system.

For the purpose of expanding the base of the LP gas business and enhancing its competitiveness, the division also strived to improve business efficiency and reduce costs by reorganizing the Group companies in each area. Furthermore, in the interest of expanding sales of solar power generation systems and EneFarm household fuel cell systems, the division considered reconstruction of direct sales operation in the residential market, and strived to for the spread of distributed energy systems with a core of LP gas.

Total-Life Division

In the fiscal year ended March 31, 2012, the Total-Life Division recorded operating loss of 884 million yen on net sales of 2,958 million yen.

The Total-Life Division proactively promoted sales of solar power generation systems and EneFarm household fuel cell systems by building a new sales network consisting of the Group companies, existing petroleum and LP gas distributors, and partners in other industries, such as home builders and real estate agents.

We began selling e-runner electric bikes in May 2011 as the first initiative in our E-koto Project (*koto* in Japanese), which is aimed at energizing people and communities. The division expanded its sales network nationwide with 513 stores selling these bikes as of the end of March 2012.

As the second initiative in the project, we announced the development of a proprietary HEMS[3] lithium-ion storage battery system for home use. This will be a worry-free, environmentally friendly and highly convenient storage battery system that allows households to be self-sufficient in electricity during disasters or other emergencies. The division has proceeded with verification tests.

As an approach to vitalize the E-koto Project, the division also opened "E-koto Shop Yotsukaido" and "E-koto Shop Shikigaoka", facilities that combine home and automobile.

In automobile-related business, Group company Enex Auto Co., Ltd., mainly contributed to an improvement in profitability of Car-Life Stations, by promoting introduction of the Itsumo Rent-a-Car business and the Itsumo Car-Net used vehicle trading business, etc. in order to enhance automobile-related business.

Note 3 HEMS: HEMS is an abbreviation for home energy management system. The proprietary system under development at Itochu Enex automatically recharges the storage batteries at nighttime using grid power and works in unison with solar power generation and fuel cell systems to ensure power is supplied efficiently and economically to the home. The system can also be used as an emergency power source.

Consolidated Earnings Forecasts

Although the global and Japanese economies have embarked on recovery, risks of downward pressure on business are continuously forecast. The petroleum distribution industry is likewise expected to continuously face a challenging environment marked by sustained high crude oil prices and declining domestic demand due to popularization of fuel-efficient vehicles.

In the fiscal year ending March 31, 2013, the second year of our Core & Synergy 2013 medium-term business plan, we will aim to achieve expected numerical values of consolidated earnings. To this end, we will strengthen and improve the sophistication of our core businesses, develop and take advantage of creative demand, and realize sustainable growth with local communities as a company which proposes an optimal mix of energy.

Financial Condition

Total assets amounted to 305,053 million yen at March 31, 2012, an increase of 27,467 million yen from March 31, 2011. This increase was attributable to growth in trade notes and accounts receivable.

Liabilities amounted to 208,962 million yen, an increase of 25,500 million yen from March 31, 2011. This increase primarily reflected an increase in trade notes and accounts payable.

Net assets totaled 96,090 million yen, an increase of 1,967 million yen from March 31, 2011, due to factors including dividend payments, acquisition of treasury stock, and net income recorded.

We consequently ended the fiscal year with a shareholders' equity ratio of 30.6%.

Cash flows

Cash and cash equivalents totaled 15,312 million yen at March 31, 2012, a decrease of 8,422 million yen from March 31, 2011. The decrease was attributable to expenses in trading funds due to an increase in trade notes and accounts receivable.

Cash flows from operating activities

Operating activities used net cash of 271 million yen. The main items were net expense of 13,296 million yen in trading funds due to an increase in trade notes and accounts receivable, and payment of 4,361 million yen for income tax. Meanwhile, the net cash inflow was deprived mainly from net income before income taxes and minority interests of 8,951 million yen and depreciation allowance of 6,613 million yen.

Cash flows from investing activities

Investing activities used net cash of 6,904 million yen. The main items were 7,608 million yen for purchases of tangible and intangible fixed assets.

Cash flows from financing activities

While providing 1,456 million yen resulting from an increase in interest-bearing debts such as borrowings, financing activities used net cash of 1,392 million yen. The main items were expenses of 2,276 million yen for dividend payment and 428 million yen for share buyback.

Cash flow indicators

Fiscal year ended March 31,	2009	2010	2011	2012
Shareholders’ equity ratio (%)	35.9	34.2	33.1	30.6
Shareholders’ equity ratio at market value (%)	24.4	21.3	19.5	18.1
Ratio of cash flow to interest-bearing debt (years)	1.4	5.6	2.4	―
Interest-coverage ratio (times)	26.8	5.9	17.5	―

Shareholders’ equity ratio: Shareholders equity / Total assets
Shareholders’ equity ratio at market value: Market capitalization / Total assets
Ratio of cash flow to interest-bearing debt: Interest-bearing debt / Cash flow
Interest coverage ratio: Cash flow / Interest expense

1. All of the above ratios were calculated using consolidated financial statement data.
2. Market capitalization was calculated by multiplying the fiscal-year-end closing share price by the number of shares outstanding at fiscal year-end (net of treasury stock).
3. “Cash flow” is “Cash provided by (used in) operating activities” on the Consolidated Statements of Cash Flows.
4. Interest-bearing debt is all debt, of the debt carried on the consolidated balance sheet, on which interest is payable. "Interest expense" is "interest paid" on Consolidated Statement of Cash Flow.
5. Ratio of cash flow to interest-bearing debt and Interest-coverage ratio in the fiscal year ended March 31, 2012 were not stated as cash flow from operating activities is negative.

Profit Distribution Policy and Dividends for the Fiscal Years Ended March 31, 2012 and ending March 31, 2013

In terms of shareholder returns, we aim to maintain a consolidated dividend payout ratio of at least 30% in accord with our policy of paying stable dividends on an ongoing basis while maintaining sustained business growth. For the fiscal year ended March 31, 2012, we plan to pay a year-end dividend of 8 yen per share.

For the fiscal year ending March 31, 2013, we plan to pay annual dividends of 16 yen per share (including an interim dividend of 8 yen per share).

With respect to internally retained funds, our basic policy is to use such funds to invest in our businesses to strengthen our operating foundation and further increase earnings.

Financial Statements—Consolidated

(1) Consolidated Balance Sheets

Millions of yen

	March 31, 2011	March 31, 2012
	Amount	Amount
Assets		
Current assets		
Cash and cash equivalents	23,735	15,312
Trade notes and accounts receivable	117,449	150,895
Merchandise and finished products	12,273	14,898
Deferred tax assets	2,287	1,684
Other	12,816	15,391
Allowance for doubtful accounts	(624)	(306)
Total current assets	167,938	197,877
Fixed assets		
Property, plant and equipment		
Buildings and structures	52,785	53,987
Accumulated depreciation	(31,393)	(32,959)
Buildings and structures, net	21,392	21,028
Machinery, equipment and vehicles	37,570	39,479
Accumulated depreciation	(25,465)	(27,151)
Machinery, equipment and vehicles, net	12,105	12,327
Land	35,565	35,084
Leased assets	3,967	4,381
Accumulated depreciation	(1,500)	(2,230)
Leased assets, net	2,466	2,151
Construction in progress	627	1,904
Other	5,131	5,419
Accumulated depreciation	(3,906)	(4,282)
Other, net	1,224	1,137
Net, property, plant and equipment	73,381	73,634
Intangible assets		
Goodwill	4,053	3,430
Other	3,143	3,412
Total intangible assets	7,196	6,842
Investments and other assets		
Investment securities	14,460	13,791
Long-term loans	1,575	1,166
Deferred tax assets	3,530	2,723
Other assets	10,434	9,635
Allowance for doubtful accounts	(932)	(619)
Total investments and other assets	29,068	26,698
Total fixed assets	109,646	107,175
Total assets	277,585	305,053

Millions of yen

	March 31, 2011	March 31, 2012
	Amount	Amount
Liabilities		
Current liabilities		
Trade notes and accounts payable	106,597	129,225
Short-term borrowings	8,396	16,349
Commercial papers	—	4,000
Lease obligations	1,017	1,084
Income taxes payable	3,127	2,382
Accrued bonuses for employees	2,559	2,595
Accrued bonuses for directors and corporate auditors	224	287
Other current liabilities	17,204	17,219
Total current liabilities	139,127	173,145
Long-term liabilities		
Corporate bonds	10,000	10,000
Long-term debt	9,081	333
Lease obligations	2,345	1,957
Deferred tax liabilities	376	164
Deferred tax liabilities on land revaluation	3,079	2,671
Liabilities for retirement benefits	5,991	6,238
Asset retirement obligations	2,236	2,339
Other long-term liabilities	11,222	12,111
Total long-term liabilities	44,334	35,817
Total liabilities	183,462	208,962
Net assets		
Shareholders' equity		
Common stock	19,877	19,877
Capital surplus	18,736	18,736
Retained earnings	63,795	65,186
Treasury stock	(1,321)	(1,749)
Total shareholders' equity	101,088	102,050
Accumulated other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities	(1,103)	(1,030)
Deferred hedge gains (losses)	3	(3)
Revaluation reserve for land	(8,236)	(7,627)
Foreign currency translation adjustments	—	19
Total accumulated other comprehensive income (loss)	(9,336)	(8,641)
Minority interests	2,371	2,681
Total net assets	94,123	96,090
Total liabilities and net assets	277,585	305,053

(2) Consolidated Statements of Income

Millions of yen

	Year ended March 31, 2011	Year ended March 31, 2012
	Amount	Amount
Net sales	1,185,731	1,414,161
Cost of sales	1,120,830	1,349,557
Gross profit	64,900	64,604
Selling, general and administrative expenses	55,873	55,631
Operating income (loss)	9,027	8,973
Other income		
Interest income	78	62
Dividend income	240	257
Purchase discounts	248	247
Gain on foreign currency translation	142	—
Equity in income of unconsolidated subsidiaries and associates	322	115
Other	900	858
Total other income	1,932	1,541
Other expense		
Interest expense	438	466
Sales discounts	226	216
Loss on foreign currency translation	—	83
Expense for the 50th anniversary celebration	245	—
Other	427	277
Total other expense	1,339	1,044
Ordinary income	9,621	9,470
Extraordinary gains		
Gain on sales of fixed assets	113	348
Gain on sales of parent company's shares	282	—
Reversal of allowance for doubtful accounts	71	—
Gain on sales of investment securities	166	41
Gain on sales of business	73	—
Compensation income for expropriation	—	21
Total extraordinary gains	706	411
Extraordinary losses		
Loss on sales and disposal of fixed assets	516	357
Loss on sales of investment securities	2	10
Loss on devaluation of investment securities	76	417
Loss on devaluation of golf club membership	11	—
Loss on impairment of long-lived assets	100	117
Loss due to disaster	304	26
Effect of adoption of new accounting standard for asset retirement obligations	1,036	—
Other	96	—
Total extraordinary losses	2,145	929
Income before income taxes and minority interests	8,181	8,951
Income taxes		
Current	4,272	3,596
Deferred	(481)	985
Total income taxes	3,791	4,581
Income before minority interests	4,390	4,370
Minority interests	506	477
Net income	3,883	3,893

Consolidated Statements of Comprehensive Income

Millions of yen

	Year ended March 31, 2011	Year ended March 31, 2012
	Amount	Amount
Income before minority interests	4,390	4,370
Other comprehensive income (loss)		
Unrealized losses on available-for-sale securities	(375)	72
Revaluation reserve for land	―	382
Share of other comprehensive income (loss) of associates accounted for using equity method	(12)	12
Total other comprehensive income (loss)	(387)	468
Comprehensive income	4,002	4,838
Components:		
Comprehensive income attributable to owners of the parent	3,496	4,361
Comprehensive income attributable to minority interests	506	477

(3) Consolidated Statements of Changes in Net Assets

Millions of yen

	Year ended March 31, 2011	Year ended March 31, 2012
	Amount	Amount
Shareholders' equity		
Common stock		
Balance at beginning of year	19,877	19,877
Changes during the period		
Total changes during the period	—	—
Balance at end of year	19,877	19,877
Capital surplus		
Balance at beginning of year	18,736	18,736
Changes during the period		
Total changes during the period	—	—
Balance at end of year	18,736	18,736
Retained earnings		
Balance at beginning of year	61,718	63,795
Changes during the period		
Cash dividends paid	(1,821)	(2,276)
Net income	3,883	3,893
Reversal of revaluation reserve for land	14	(226)
Total changes during the period	2,077	1,390
Balance at end of year	63,795	65,186
Treasury stock		
Balance at beginning of year	(1,320)	(1,321)
Changes during the period		
Purchase of treasury stocks	(0)	(427)
Total changes during the period	(0)	(427)
Balance at end of year	(1,321)	(1,749)
Total shareholders' equity		
Balance at beginning of year	99,011	101,088
Changes during the period		
Cash dividends paid	(1,821)	(2,276)
Net income	3,883	3,893
Purchase of treasury stocks	(0)	(427)
Reversal of revaluation reserve for land	14	(226)
Total changes during the period	2,076	962
Balance at end of year	101,088	102,050
Accumulated other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities		
Balance at beginning of year	(724)	(1,103)
Changes during the period		
Net increase (decrease) during the period, except for items under shareholders' equity	(378)	72
Total changes during the period	(378)	72
Balance at end of year	(1,103)	(1,030)

	Year ended March 31, 2011	Year ended March 31, 2012
	Amount	Amount
Deferred hedge gains (losses)		
Balance at beginning of year	12	3
Changes during the period		
Net increase (decrease) during the period, except for items under shareholders' equity	(9)	(6)
Total changes during the period	(9)	(6)
Balance at end of year	3	(3)
Revaluation reserve for land		
Balance at beginning of year	(8,221)	(8,236)
Changes during the period		
Reversal of revaluation reserve for land	(14)	226
Net increase (decrease) during the period, except for items under shareholders' equity	—	382
Total changes during the period	(14)	608
Balance at end of year	(8,236)	(7,627)
Foreign currency translation adjustments		
Balance at beginning of year	—	—
Changes during the period		
Net increase (decrease) during the period, except for items under shareholders' equity	—	19
Total changes during the period	—	19
Balance at end of year	—	19
Total accumulated other comprehensive income (loss)		
Balance at beginning of year	(8,933)	(9,336)
Changes during the period		
Reversal of revaluation reserve for land	(14)	226
Net increase (decrease) during the period, except for items under shareholders' equity	(387)	468
Total changes during the period	(402)	694
Balance at end of year	(9,336)	(8,641)
Minority interests		
Balance at beginning of year	1,979	2,371
Changes during the period		
Net increase (decrease) during the period, except for items under shareholders' equity	391	310
Total changes during the period	391	310
Balance at end of year	2,371	2,681
Total net assets		
Balance at beginning of year	92,057	94,123
Changes during the period		
Cash dividends paid	(1,821)	(2,276)
Net income	3,883	3,893
Purchase of treasury stocks	(0)	(427)
Reversal of revaluation reserve for land	—	—
Net increase (decrease) during the period, except for items under shareholders' equity	4	778
Total changes during the period	2,065	1,967
Balance at end of year	94,123	96,090

(4) Consolidated Statements of Cash Flows

Millions of yen

	Year ended March 31, 2011	Year ended March 31, 2012
	Amount	Amount
Cash flows from operating activities		
Income before income taxes and minority interests	8,181	8,951
Depreciation and amortization	6,092	6,613
Loss on impairment of long-lived assets	100	117
Amortization of goodwill	1,808	1,728
Increase (decrease) in allowance for doubtful accounts	(200)	(195)
Increase (decrease) in liabilities for retirement benefits	419	218
Interest and dividend income	(318)	(319)
Interest expense	438	466
(Gain) loss on foreign currency translation	(68)	21
Equity in (income) loss of unconsolidated subsidiaries and associated companies	(322)	(115)
(Gain) loss on sales and disposal of fixed assets	403	8
(Gain) loss on sales of parent company's shares	(282)	—
(Gain) loss on sales of investment securities	(163)	(30)
(Gain) loss on revaluation of investment securities	76	417
(Gain) loss on sales of business	(73)	—
Compensation income for expropriation	—	(21)
Loss on devaluation of golf club membership	11	—
Loss due to disaster	304	26
Effect of adoption of new accounting standards for asset retirement obligations	1,036	—
(Increase) decrease in trade notes and accounts receivable	(4,744)	(33,340)
(Increase) decrease in inventories	(1,841)	(2,514)
Increase (decrease) in trade notes and accounts payable	2,980	22,558
(Increase) decrease in other assets	(3,910)	(1,499)
Increase (decrease) in other liabilities	5,359	1,021
Sub total	15,288	4,119
Interest and dividend income received	584	439
Interest paid	(427)	(468)
Income taxes paid	(3,964)	(4,361)
Net cash provided by (used in) operating activities	11,481	(271)
Cash flows from investing activities		
Purchase of marketable securities	—	(1,673)
Proceeds from redemption of securities	—	675
Purchases of property, plant and equipment	(3,516)	(5,938)
Proceeds from sales of property, plant and equipment	404	1,477
Purchases of intangible assets	(1,712)	(1,670)
Proceeds from sales of intangible assets	293	3
Proceeds from sales of business	73	—
Proceeds from sales of parent company's shares	328	—
Purchases of investment securities	(2,229)	(480)
Proceeds from sales of investment securities	871	436
Purchase of investment in subsidiaries	(3,077)	(457)
Proceeds from liquidation of associated companies	12	17
Payments for loans	(412)	(810)
Collection of loans	1,662	723
Proceeds from compensation for expropriation	90	21
Other	(1,087)	771
Net cash provided by (used in) investing activities	(8,298)	(6,904)

Millions of yen

	Year ended March 31, 2011	Year ended March 31, 2012
	Amount	Amount
Cash flows from financing activities		
Increase (decrease) in short-term borrowings - net	(1,925)	1,985
Net increase (decrease) in commercial papers	—	4,000
Repayments of long-term debt	(10,789)	(3,467)
Proceeds from issuance of bonds	9,950	—
Redemption of bonds	(1,148)	—
Repayments of lease obligations	(1,230)	(1,062)
Repurchases of treasury stock	(0)	(428)
Dividends paid	(1,821)	(2,276)
Dividends paid to minority shareholders of consolidated subsidiaries	(125)	(143)
Net cash provided by (used in) financing activities	(7,091)	(1,392)
Foreign currency translation adjustments on cash and cash equivalents	(17)	44
Net increase (decrease) in cash and cash equivalents	(3,926)	(8,524)
Cash and cash equivalents, beginning of the period	27,598	23,735
Increase in cash and cash equivalents from newly consolidated subsidiary	63	101
Cash and cash equivalents, end of the period	23,735	15,312

Notes to Consolidated Financial Statements

a. Segment Information

1. Overview of reportable segments

The Company's reportable segments are components of the Company about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's board of directors to decide how to allocate resources and assess performance.

The Company is organized into business divisions. Each business division conducts business based on strategies for each category of target customers and markets. In the fiscal year ended March 31, 2012, the Company newly established "Total-Life Division", in addition to existing four reportable segments corresponding to its business divisions, namely the Industrial Materials, Car Life, Global Trade, and Home Life Divisions. Accordingly, there are five reportable segments.

The Company also reorganized its business operation to streamline its management. The reorganization includes shifting of vessel oil business from the Industrial Material segment to the Global Trade segment and shifting of fleet card business from the Car-Life segment to the Industrial Material segment. In accord with the changes, the Company has revised its management methods for intersegment sales or transfers.

Industrial Material:

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

Car-Life:

Consumer sales and services, mainly at car-life-stations, including gasoline, kerosene, light diesel oil, heavy fuel oil, grease, cars, automobile supplies, next-generation energy systems (solar power systems, fuel cells, etc.), car inspections, maintenance, and car rental services.

Global Trade:

Import and export of petroleum products, regulation of supply of and demand for petroleum products in Japan, chartering and operation of tankers, sale of marine fuels, sale of lubricating oil, logistics services for petroleum storage tanks and facilities, and development and promotion of overseas projects.

Home-Life:

Sales of everyday goods and services such as liquefied petroleum gas, equipment (combustion equipment, kitchen equipment, air-conditioning equipment, and household equipment), next-generation energy systems, commodities, catalogue merchandise, and sundries.

Total-Life:

Sales of next-generation energy systems, double power-generation systems, cars, automobile supplies, and electric motorcycles, development of EV (electric vehicles)-related business, provision of car-related services, such as car inspection, maintenance, sheet metal, and rent-a-car business, development of HEMS (home energy management system), and provision of housing-related services such as home improvement business.

The segment information for the fiscal year ended March 31, 2011 is presented under the new segmentation method that was used for the fiscal year ended March 31, 2012.

2. Calculation method for net sales, income/loss, assets, liabilities, and other items by reportable segment

The accounting method for reportable segments is generally identical to statements in “Basis of presenting the consolidated financial statements”.

“Reportable segment income (loss)” is based on operating income.

“Intersegment sales or transfers” is based on market price.

3. Net sales, income/loss, assets, liabilities, and other items by reportable segment

Year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

Millions of yen

	Reportable segment									Amounts on the consolidated statements of income
	Industrial Material	Car-Life	Global Trade	Home-Life	Total-Life	Total	Other *1	Total	Adjustments *2	*3
I. Sales										
(1) Sales to customers	105,700	532,319	451,090	94,942	—	1,184,053	1,678	1,185,731	—	1,185,731
(2) Intersegment sales or transfers	2,306	27,135	25,412	—	—	54,853	2,144	56,998	(56,998)	—
Total	108,006	559,454	476,502	94,942	—	1,238,907	3,822	1,242,729	(56,998)	1,185,731
Segment income (loss)	1,751	4,518	968	3,689	—	10,927	84	11,012	(1,984)	9,027
Segment assets	34,998	112,126	52,688	51,337	—	251,150	950	252,101	25,484	277,585
Other items										
Depreciation/amortization	310	3,516	308	1,423	—	5,559	4	5,564	527	6,092
Amortization of goodwill	19	823	194	861	—	1,898	—	1,898	(89)	1,808
Equity in income of unconsolidated subsidiaries and associates	69	33	80	133	—	316	—	316	5	322
Investment in equity-method associates	1,606	452	18	4,480	—	6,557	—	6,557	14	6,572
Increase in property, plant and equipment and intangible assets	668	2,154	259	1,274	—	4,357	1	4,358	870	5,228

Notes:
1. "Other" comprises businesses, such as back-office outsourcing services that are not included in reportable segments.
2. The negative 1,984 million yen adjustment for segment income is 1,984 million yen of unallocated corporate expenses. The main component of these unallocated corporate expenses is general and administrative expenses that are not attributable to reportable segments.
   25,484 million yen adjustment for segment assets is 25,484 million yen of unallocated corporate assets. The main component of these unallocated corporate assets is cash and cash equivalents that are not attributable to reportable segments.
3. Segment income adjustments are based on operating income reported on the consolidated statements of income for the corresponding period.

Year ended March 31, 2012 (April 1, 2011 – March 31, 2012)

Millions of yen

	Reportable segment									Amounts on the consolidated statements of income
	Industrial Material	Car-Life	Global Trade	Home-Life	Total-Life	Total	Other *1	Total	Adjustments *2	*3
I. Sales										
(1) Sales to customers	146,780	562,620	603,832	96,426	2,958	1,412,618	1,542	1,414,161	—	1,414,161
(2) Intersegment sales or transfers	4,852	51,582	27,261	5	2,899	86,601	2,044	88,645	(88,645)	—
Total	151,633	614,202	631,093	96,432	5,858	1,499,219	3,587	1,502,807	(88,645)	1,414,161
Segment income (loss)	2,076	5,052	1,104	3,723	(884)	11,072	37	11,110	(2,137)	8,973
Segment assets	45,471	117,786	71,761	51,762	1,377	288,158	925	289,084	15,968	305,053
Other items										
Depreciation/amortization	883	3,340	319	1,432	52	6,028	4	6,033	579	6.613
Amortization of goodwill	152	832	122	710	—	1,818	—	1,818	(89)	1,728
Equity in income of unconsolidated subsidiaries and associates	(85)	16	35	145	(1)	110	—	110	5	115
Investment in equity-method associates	1,581	113	482	4,142	100	6,420	—	6,420	19	6,440
Increase in property, plant and equipment and intangible assets	3,385	1,900	195	1,273	55	6,810	—	6,810	798	7,608

Notes:
1. “Other” comprises businesses, such as back-office outsourcing services that are not included in reportable segments.
2. The negative 2,137 million yen adjustment for segment income is 2,137 million yen of unallocated corporate expenses. The main component of these unallocated corporate expenses is general and administrative expenses that are not attributable to reportable segments.
   15,968 million yen adjustment for segment assets is 15,968 million yen of unallocated corporate assets. The main component of these unallocated corporate assets is cash and cash equivalents that are not attributable to reportable segments.
3. Segment income adjustments are based on operating income reported on the consolidated statements of income for the corresponding period.

b. Related Information

Year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

1. Information by product and service

Information by product and service is omitted here, as customer sales of products/services belonging to a single category exceed 90% of total net sales in the consolidated statements of income.

2. Information by geographic area

1) Net sales

Disclosure is omitted here as customer sales in Japan exceed 90% of total net sales in the consolidated statements of income.

2) Property, plant and equipment

Not applicable, as the Company does not own property, plant and equipment located other than in Japan.

3. Information by major customer

Disclosure is omitted here as no outside customer accounts for more than 10% of total net sales in the consolidated statements of income.

Year ended March 31, 2012 (April 1, 2011–March 31, 2012)

1. Information by product and service

Information by product and service is omitted here, as customer sales of products/services belonging to a single category exceed 90% of total net sales in the consolidated statements of income.

2. Information by geographic area

1) Net sales

Disclosure is omitted here as customer sales in Japan exceed 90% of total net sales in the consolidated statements of income.

2) Property, plant and equipment

Not applicable, as the Company does not own property, plant and equipment located other than in Japan.

3. Information by major customer

Disclosure is omitted here as no outside customer accounts for more than 10% of total net sales in the consolidated statements of income.

c. Impairment loss on fixed assets by reportable segment

Year ended March 31, 2011 (April 1, 2010–March 31, 2011)

Millions of yen

	Industrial Material	Car-Life	Global Trade	Home-Life	Total-Life	Other	Corporate /Elimination	Total
Impairment loss	—	94	—	6	—	—	—	100

Year ended March 31, 2012 (April 1, 2011–March 31, 2012)

Millions of yen

	Industrial Material	Car-Life	Global Trade	Home-Life	Total-Life	Other	Corporate /Elimination	Total
Impairment loss	—	104	—	12	—	—	—	117

d. Amortized amount and unamortized balance of goodwill

Year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

Millions of yen

	Industrial Material	Car-Life	Global Trade	Home-Life	Total-Life	Other	Corporate /Elimination	Total
Amortized amount	19	833	194	861	—	—	(89)	1,818
Unamortized balance at end of the period	680	2,107	204	1,314	—	—	(212)	4,093

Amortized amount and unamortized balance accrued from business combinations of subsidiaries carried out before April 1, 2010 are as follows.

Millions of yen

	Industrial Material	Car-Life	Global Trade	Home-Life	Total-Life	Other	Corporate /Elimination	Total
Amortized amount	—	10	—	—	—	—	—	10
Unamortized balance at end of the period	—	40	—	—	—	—	—	40

Year ended March 31, 2012 (April 1, 2011 – March 31, 2012)

Millions of yen

	Industrial Material	Car-Life	Global Trade	Home-Life	Total-Life	Other	Corporate /Elimination	Total
Amortized amount	152	842	122	710	—	—	(89)	1,739
Unamortized balance at end of the period	576	1,338	81	1,587	—	—	(122)	3,461

Amortized amount and unamortized balance accrued from business combinations of subsidiaries carried out before April 1, 2010 are as follows.

Millions of yen

	Industrial Material	Car-Life	Global Trade	Home-Life	Total-Life	Other	Corporate /Elimination	Total
Amortized amount	—	10	—	—	—	—	—	10
Unamortized balance at end of the period	—	30	—	—	—	—	—	30

e. Gain on negative goodwill by reportable segment

Year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

Not applicable

Year ended March 31, 2012 (April 1, 2011 – March 31, 2012)

Not applicable