This document is an excerpt English translation of a statement written initially in Japanese. The Japanese original should be considered as the primary version.

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Itochu Enex Reports Consolidated Earnings for the Six Months Ended September 30, 2012 (Under Japanese GAAP)

Tokyo, Japan, October 26, 2012 -- Itochu Enex Co., Ltd. (TSE: 8133) announced net sales of 655,043 million yen for the six months ended September 30, 2012, and net income of 1,602 million yen, or 14.18 yen per share, on a consolidated basis.

Results of Operations

In the six months ended September 30, 2012, the Japanese economy showed a gradual recovery trend in the context of demands for reconstruction after the Great East Japan Earthquake. However its future has remained uncertain due to downside risks including further global economic slowdown amid the debt crisis in Europe and uncertainty related to China, as well as the fluctuation in financial and capital markets, in addition to impacts from protracted yen strength and deflation.

In the petroleum products distribution industry, the crude oil price which had been high since the previous fiscal year rapidly fell in and after the middle of March 2012, with concern about a slowdown in the global economy and a decrease in demands for petroleum. However, it showed an upward tendency again in and after July 2012. Domestic sales volume increased from the corresponding period a year earlier, when fuel oil was generally affected by the disaster, with contributions from a growth in grade C heavy oil of which demands continuously increased for power generation.

In this operating environment, the Itochu Enex Group entered into the second year of a medium-term business plan, Core & Synergy 2013, and worked to strengthen and improve the core petroleum product sales business. We have also pursued a growth strategy, working on a new business model as a company that proposes an optimal mix of energy with the electricity and steam supply business through JEN Holdings Co., Ltd. which newly became a Group company in the previous fiscal year, as well as the heat supply business[1] into which Itochu Enex entered through making Tokyo Toshi Service Company a Group company in May 2012. Furthermore, we strived to expand business that creates needs from the viewpoint of consumers mainly through the Total-Life Division.

As a result of the above activities, in the six months ended September 30, 2012, consolidated net sales increased 4.4% year on year to 655,043 million yen. Operating income rose 35.5% year on year to 4,459 million yen, Ordinary income increased 23.8% year on year to 4,605 million yen, and net income rose 22.3% year on year to 1,602 million yen.

Note 1 Heat supply business: Heat supply business supplies cold and hot water for air conditioning to office buildings and other multiple buildings from a heat source plant using pipes.

Results of Operations by Segment

Industrial Material Division

The Industrial Material Division earned operating income of 2,539 million yen (up 171.1% year on year) on net sales of 77,919 million yen (up 29.0% year on year) in the six months ended September 30, 2012.

Active efforts to secure new customers in the petroleum product sales business resulted in a year-on-year increase in sales volume, mainly for kerosene, gas oil, and heavy oil. In the asphalt sales business, sales volume increased year on year, as a result of expanding distribution functions such as company-owned tanks and regular chartered carrying vessels. Distribution functions were further enhanced with completion of company-owned ocean-going vessels to carry asphalt in September 2012. In the AdBlue sales business with 17 delivery bases nationwide, sales volume expanded from a year earlier thanks to increasing popularization of urea SCR vehicles[2].

In the general high-pressure gas business, we ensured both sales volume and profits at the same level as the corresponding period a year earlier, despite harsh conditions due to continuous adverse effects from lower operating rates of plants in the industry.

In the electricity and steam supply business, profits increased year on year, reflecting a sales increase due to tighter balance between supply and demand of electric power after the disaster and higher facilities operating rates. In the electric power retail business which we started in full swing in the previous fiscal year, both sales volume and profits increased year on year.

In the heat supply business into which Itochu Enex entered in May 2012, business performance went well thanks to positive effects from a heat wave.

Note 2 Urea SCR vehicle: Urea SCR vehicle purifies NOx using urea solution (AdBlue) and Selective Catalytic Reduction to reduce NOx in exhaust gas from diesel engines.

Car-Life Division

The Car-Life Division earned operating income of 1,738 million yen (down 14.6% year on year) on net sales of 252,129 million yen (down 5.2% year on year).

Sales volume decreased year on year due to a slowdown in demands for reconstruction after the disaster which had continued since the previous fiscal year, as well as increasing popularization of fuel-efficient vehicles. In spite of cost cutting at each base and expanded profits from non-fuel oil of Group companies, profits decreased year on year with a fall in sales volume.

With a full-scale operation of "ENEX ACT Program[3]" as a retail strategy, Car-Life Stations[4] of Group companies were reinforced with implementation of seminars at 11 venues nationwide for the purpose of improvement in profitability of participating Car-Life Stations, as well as support for operating stations through sharing of successful examples. Business models adapting to various environments will be established by accumulating and using data of participating Car-Life Stations.

The number of Car-Life Stations at the end of the six months was 2,179, a net increase of 22 stations from the end of the previous fiscal year. During the six months we added 56 newly affiliated stations and lost 34 stations through disaffiliation due to unprofitability and aging facilities, amid ongoing attrition of gas stations in Japan.

As part of the medium and long-term support for reconstruction of areas hit by the Great East Japan Earthquake, "Kizuna Net Center", a disaster-response petroleum distribution center, was established in Rifu-cho, Miyagi Prefecture in September 2012. The Center started activities as a fuel supply base which supports local infrastructures for everyday life. In preparation for future large scale disasters, Itochu Enex has sequentially established emergency restoration stations[5] all over the nation as comprehensive disaster response bases in each community.

Note 3 ENEX ACT Program: 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.

Note 4 Car-Life Stations: Car-Life Stations are full-service automobile service stations affiliated with Itochu Enex.

Note 5 Emergency restoration station: An emergency restoration station is not only a conventional disaster response station but also a Car-Life Station model capable to respond to disasters with the aim of establishing mutual support systems. For example, equipped with portable emergency power generators, it helps Car-Life Stations without capability to respond to disasters to restore their energy supply functions.

Global Trade Division

The Global Trade Division recorded operating income of 76 million yen (down 85.1% year on year) on net sales of 281,301 million yen (up 9.4% year on year).

The division's petroleum products trading business faced a difficult operating environment due to extreme volatility in prices of crude oil and petroleum products, in spite of a slight increase in domestic demand. While sales volume increased year on year as it accumulated transactions meeting customer's needs, profits decreased year on year due in part to impacts from the stagnation in the market.

In the marine fuel sales business, as transaction overseas steadily grew, profits from overseas operation increased year on year. In domestic operation, the distribution network was reinforced to be more efficient with the deployment of dedicated fuel supply ships, and accumulated efforts to acquire new transactions were made. As a result, both sales volume and profits increased year on year.

The tanker business continued to face harsh conditions due to tanker rates remaining low. In such a circumstance, the Division strived to ensure profits with continuous, vigorous efforts for reducing cost for company-owned vessels and increasing operating efficiency for company-managed vessels, as well as chartering and vessel operation services.

The Project & Investment Department proactively gathered broad information and examined prospective projects in preparation for the further development of overseas business, following IP&E Palau in which we invested in the previous fiscal year.

Home-Life Division

The Home-Life Division earned operating income of 1,178 million yen (down 1.2% year on year) on net sales of 41,920 million yen (down 0.1% year on year).

While business environment was harsh due to higher national average temperature than the corresponding period a year earlier, sales volume of LP gas for home increased year on year with the integration of Group companies conducted in the previous fiscal year and the promotion of area strategies which contributed to an increase in the number of clients for direct sales.

Meanwhile, the import price of LP gas changed unsteadily, rising sharply after hitting the lowest level in two years in July 2012. However, fair profits could be secured through penetration of the gas rate adjustment system which has been proactively introduced.

Under such circumstances, sales of EneFarm household fuel cell system which would create new demand for LP gas and solar power generation systems, new energy equipment, have been regarded as the most important strategy in the Home-Life Division. We started enhancing our sales capabilities through a new dedicated system from the current fiscal year, in order to further promote sales of those systems as a core of profits.

Total-Life Division

The Total-Life Division recorded operating loss of 368 million yen (442 million yen in the corresponding period a year earlier) on net sales of 1,477 million yen (up 8.3% year on year).

The Division promoted sales of solar power generation systems and EneFarm household fuel cell systems mainly with the Group companies and petroleum and LP gas distributors.

With a system for purchasing the total amount of power generated[6] which started in July 2012, approaches to industrial solar power generation systems have been promoted nationwide. The Itochu Enex Group has also pushed ahead with negotiation in each area in order to expand sales of the systems.

In relation to a proprietary lithium-ion storage battery system for home use which allows households to be self-sufficient in electricity during disasters or other emergencies, model devices started to be marketed mainly through LP gas distributors. The Division proactively promoted sales of them, by building a new sales network comprising partners in other industries, such as home builders, house makers, and real estate agents.

We also expanded the sales channels for "Super Condenser[7]", a product of Green Earth Co., Ltd. in which Itochu Enex invested in the previous fiscal year, by building a selling system and acquiring industrial users through participating in exhibitions related to energy saving.

In order to further develop "E-koto shops" as part of "E-koto Project" which is aimed at energizing people and communities, various activities such as community-based exhibitions and events have been conducted at three existing shops.

In the automobile-related business, ENEXAUTO CO., LTD., one of Group companies, mainly promoted introduction of systems which would contribute to an improvement in profitability of Car-Life Stations, including the Itsumo Rent-a-Car car hire business, the Itsumo Car-Net used vehicle trading business, and Car Business Support system to unify management of customers.

Note 6 System for purchasing the total amount of power generated: This system requires electric power companies to purchase electric power generated with renewable energy at certain prices during a specific period.

Note 7 Super Condenser: A condenser which is additionally installed with outdoor unit of air conditioners for commercial use to improve efficiency in operation of air conditioners and realize energy-saving and reduction of power consumption.

Financial Condition

As of September 30, 2012, total assets amounted to 291,766 million yen, a decrease of 13,286 million yen from March 31, 2012. This mainly reflected a decrease in trade notes and accounts receivable. Liabilities amounted to 190,121 million yen, a decrease of 18,840 million yen from March 31, 2012. This primarily reflected a decrease in trade notes and accounts payable. Net assets totaled 101,645 million yen at the end of the quarter, an increase of 5,554 million yen from March 31, 2012, due to factors including an increase in minority interests resulting from investment in Tokyo Toshi Service Company.

Consolidated Earnings Forecasts

Although operating performance could be affected by various factors, including crude oil prices, market conditions, changes in the weather, and the Japanese government's energy policy, we have not revised our full-year consolidated earnings forecasts announced on May 2, 2012.

Financial Statements—Consolidated

(1) Consolidated Balance Sheets

Millions of yen

	March 31, 2012	September 30, 2012
	Amount	Amount
Assets		
Current assets		
Cash and cash equivalents	15,312	21,202
Trade notes and accounts receivable	150,895	110,208
Merchandise and finished products	14,898	15,983
Deferred tax assets	1,684	1,696
Other	15,391	17,745
Allowance for doubtful accounts	(306)	(264)
Total current assets	197,877	166,570
Fixed assets		
Property, plant and equipment		
Buildings and structures	53,987	57,697
Accumulated depreciation	(32,959)	(33,234)
Buildings and structures, net	21,028	24,463
Machinery, equipment and vehicles	39,479	47,799
Accumulated depreciation	(27,151)	(27,828)
Machinery, equipment and vehicles, net	12,327	19,970
Land	35,084	35,015
Leased assets	4,381	4,449
Accumulated depreciation	(2,230)	(2,648)
Leased assets, net	2,151	1,800
Construction in progress	1,904	2,504
Other	5,419	5,703
Accumulated depreciation	(4,282)	(4,325)
Other, net	1,137	1,377
Net, property, plant and equipment	73,634	85,132
Intangible assets		
Goodwill	3,430	3,573
Other	3,412	7,473
Total intangible assets	6,842	11,046
Investments and other assets		
Investment securities	13,791	13,388
Long-term loans	1,166	1,087
Deferred tax assets	2,723	3,591
Other assets	9,635	11,596
Allowance for doubtful accounts	(619)	(648)
Total investments and other assets	26,698	29,016
Total fixed assets	107,175	125,196
Total assets	305,053	291,766

	March 31, 2012	September 30, 2012
Millions of yen	Amount	Amount
Liabilities		
Current liabilities		
Trade notes and accounts payable	129,225	99,435
Short-term borrowings	16,349	8,437
Commercial papers	4,000	–
Corporate bonds due within one year	–	5,000
Lease obligations	1,084	1,053
Income taxes payable	2,382	2,112
Accrued bonuses for employees	2,595	2,673
Accrued bonuses for directors and corporate auditors	287	182
Other current liabilities	17,219	17,449
Total current liabilities	173,145	136,345
Long-term liabilities		
Corporate bonds	10,000	20,000
Long-term debt	333	6,299
Lease obligations	1,957	1,662
Deferred tax liabilities	164	1,596
Deferred tax liabilities on land revaluation	2,671	2,592
Liabilities for retirement benefits	6,238	6,525
Asset retirement obligations	2,339	2,364
Other long-term liabilities	12,111	12,735
Total long-term liabilities	35,817	53,776
Total liabilities	208,962	190,121
Net assets		
Shareholders' equity		
Common stock	19,877	19,877
Capital surplus	18,736	18,736
Retained earnings	65,186	65,876
Treasury stock	(1,749)	(1,749)
Total shareholders' equity	102,050	102,741
Accumulated other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities	(1,030)	(1,277)
Deferred hedge gains (losses)	(3)	(136)
Revaluation reserve for land	(7,627)	(7,619)
Foreign currency translation adjustments	19	(1)
Total accumulated other comprehensive income (loss)	(8,641)	(9,034)
Minority interests	2,681	7,938
Total net assets	96,090	101,645
Total liabilities and net assets	305,053	291,766

(2) Consolidated Statements of Income

Millions of yen

	Six months ended September 30, 2011	Six months ended September 30, 2012
	Amount	Amount
Net sales	627,453	655,043
Cost of sales	596,830	623,057
Gross profit	30,622	31,985
Selling, general and administrative expenses	27,332	27,526
Operating income	3,290	4,459
Other income		
Interest income	32	15
Dividend income	222	217
Purchase discounts	97	149
Gain on foreign currency translation	101	50
Equity in income of unconsolidated subsidiaries and associates	41	–
Other	455	430
Total other income	951	863
Other expense		
Interest expense	231	275
Sales discounts	103	109
Bond issuance cost	–	84
Equity in loss of unconsolidated subsidiaries and associates	–	127
Other	187	119
Total other expense	522	716
Ordinary income	3,718	4,605
Extraordinary gains		
Gain on sales of fixed assets	99	26
Compensation income for expropriation	12	–
Total extraordinary gains	111	26
Extraordinary losses		
Loss on sales and disposal of fixed assets	223	437
Loss on devaluation of investment securities	385	2
Loss on impairment of long-lived assets	94	191
Other	13	–
Total extraordinary losses	717	631
Income before income taxes and minority interests	3,112	4,000
Income taxes		
Current	1,156	2,066
Deferred	426	(148)
Total income taxes	1,582	1,918
Income before minority interests	1,529	2,081
Minority interests	219	479
Net income	1,310	1,602

Consolidated Statements of Comprehensive Income

Millions of yen

	Six months ended September 30, 2011	Six months ended September 30, 2012
	Amount	Amount
Income before minority interests	1,529	2,081
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities	(36)	(247)
Share of other comprehensive income (loss) of associates accounted for using equity method	126	(153)
Total other comprehensive income (loss)	89	(400)
Comprehensive income	1,619	1,681
Components:		
Comprehensive income attributable to owners of the parent	1,399	1,202
Comprehensive income attributable to minority interests	219	479

(3) Notes on the Going-Concern Assumption

Not applicable

(4) Notes on Significant Changes in Shareholders' Equity

Not applicable

(5) Segment Information

Six months ended September 30, 2011 (April 1, 2011 to September 30, 2011)

1. Net sales, income/loss by reportable segment

Millions of yen

	Reportable segment						Other *1	Total	Adjustments *2	Amounts on the consolidated statements of income *3
	Industrial Material	Car-Life	Global Trade	Home-Life	Total-Life	Total				
Sales										
Sales to customers	60,397	265,868	257,119	41,981	1,364	626,732	721	627,453	–	627,453
Intersegment sales or transfers	1,942	13,389	11,993	–	1,071	28,396	1,033	29,429	(29,429)	–
Total	62,339	279,257	269,112	41,981	2,436	655,128	1,754	656,883	(29,429)	627,453
Segment income (loss)	936	2,034	509	1,193	(442)	4,232	20	4,252	(961)	3,290

Notes:
1. "Other" comprises businesses, such as back-office outsourcing services that are not included in reportable segments.
2. The negative 961 million yen adjustment for segment income is 961 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.
3. Segment income adjustments are based on operating income reported on the quarterly consolidated statements of income for the corresponding period.

2. Impairment loss on fixed assets or goodwill by reportable segment

Material impairment loss on fixed assets

In response to a decline in market prices, the Company reduced the book value of idle assets in its Car-Life segment to their net realizable value. An impairment loss of 84 million yen was consequently booked for the six months ended September 30, 2011.

In response to a decline in market prices, the Company reduced the book value of idle assets in its Home-Life segment to their net realizable value. An impairment loss of 9 million yen was consequently booked for the six months ended September 30, 2011.

Six months ended September 30, 2012 (April 1, 2012 to September 30, 2012)

1. Net sales, income/loss by reportable segment

Millions of yen

	Reportable segment									
	Industrial Material	Car-Life	Global Trade	Home-Life	Total-Life	Total	Other *1	Total	Adjustments *2	Amounts on the consolidated statements of income *3
Sales										
Sales to customers	77,919	252,129	281,301	41,920	1,477	654,748	295	655,043	–	655,043
Intersegment sales or transfers	2,200	17,454	11,268	–	1,337	32,261	1,210	33,472	(33,472)	–
Total	80,119	269,583	292,570	41,920	2,815	687,009	1,505	688,515	(33,472)	655,043
Segment income (loss)	2,539	1,738	76	1,178	(368)	5,164	23	5,187	(727)	4,459

Notes:
1. "Other" comprises businesses, such as back-office outsourcing services that are not included in reportable segments.
2. The negative 727 million yen adjustment for segment income is 727 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.
3. Segment income adjustments are based on operating income reported on the quarterly consolidated statements of income for the corresponding period.

2. Impairment loss on fixed assets or goodwill by reportable segment

Material impairment loss on fixed assets

In response to a decline in market prices, the Company reduced the book value of idle assets in its Car-Life segment to their net realizable value. An impairment loss of 14 million yen was consequently booked for the six months ended September 30, 2012.

In response to a decline in market prices, the Company reduced the book value of idle assets in its Global Trade segment to their net realizable value. An impairment loss of 145 million yen was consequently booked for the six months ended September 30, 2012.

In response to a decline in market prices, the Company reduced the book value of idle assets in its Home-Life segment to their net realizable value. An impairment loss of 31 million yen was consequently booked for the six months ended September 30, 2012.

3. Changes in reportable segments and related information

Changes in depreciation method for property, plant and equipment

The depreciation method for property, plant and equipment (excluding leased assets) was changed to straight-line method from the first quarter ended June 30, 2012.

With this change, compared to figures calculated by the conventional method, segment income for the six months ended September 30, 2012 increased by 70 million yen in Industrial Material Division; 318 million yen in Car-Life Division; 40 million yen in Global Trade Division; and 140 million yen in Home-Life Division. Segment loss decreased by 4 million yen in Total-Life Division and 11 million yen in Adjustments of the entire Company.