Section
01

Value Creation at the ITOCHU ENEX Group

ITOCHU ENEX was established in 1961, at the beginning of Japan's period of rapid economic growth, during a time when people were striving for a more affluent life and seeking new ideas to achieve it.
Since then, we have consistently placed ourselves downstream, and have diversified our product lineup and expanded our service areas by responding to the changing demands of the times.
Throughout this period, our underlying principles have continued to flow from the company motto that was established at the time of founding.
This has been carried over into our management philosophy, established in 2001, of being "The Best Partner for Life and Society," and is reflected in our approach to value creation, which is centered on our customer base.
No matter how the times or environment may change, we will continue fulfilling our mission of supporting society and everyday life, by standing sincerely alongside local communities, industries, and our business partners.

Company Motto at the Time of Founding (Published in 1962)

Company Motto

1. Strive for reliability and sincerity in our daily work
2. Streamline management through creativity and ingenuity, and continue to make unlimited progress
3. Cooperate based on the principles of transparency and integrity, and promote the happiness and prosperity of all people related to the company

2001-Present

Corporate Philosophy

The Best Partner for Life and Society
– with Energy, with the Car, with the Home –

Code of Conduct

Be Ethical
Reliability and Sincerity, Creativity and Ingenuity, Transparency and Integrity

Continuing to Support Life and Society from Downstream

Drivers of Value Creation:
Connecting Business Models and Expanding Our Strength

Since its establishment, the Group has consistently pursued its "unchanging mission" to provide a stable supply of energy, and has built a solid customer base through the realization of this mission. At the same time, we have cultivated the ability to respond quickly to changes in the energy environment and have diversified our commercial products and services to meet the structure and needs of society. The customer base that we have grown through this virtuous cycle of pursuing our "unchanging mission" and our "ability to adapt to change" is our greatest strength. This solid foundation will allow us to flexibly respond to future changes in the business environment and also serve as a source of new value for sustainable enhancement of corporate value. We aim to achieve sustainable revenue growth through solutions to social issues by leveraging this unique customer base, which we have built up by being deeply rooted in the daily lives and attending to the diverse needs of our customers.

Mechanism for strengthening the customer base

Maintain and expand our extensive customer base

The Group has built a sales network of 1,500 Car-Life Stations* nationwide, delivers petroleum products including gasoline, diesel and fuel oil to 4,000 corporate locations nationwide, gas to 1.5 million homes, and electricity to 310,000 customers, which is the Group's own customer base.In addition to ensuring sincere customer service on a daily basis, we are deepening our trust-based relationships and expanding our customer base by maintaining an infrastructure that can safely and securely deliver energy to all parts of Japan in both normal times and emergencies through the provision of a diverse range of products for each region and collaboration with partners.

Build relationships with a wide range of business partners

With a solid customer base built through community-based sales activities and highly trusted, broad sales channels, we have realized a procurement and supply system that flexibly responds to changes in the field. We have also established strong partnerships with businesses that provide a diverse range of commercial products and services, with the aim of co-existence and co-prosperity, and actively promote collaboration with a wide range of business partners, including major corporations and local governments.

Expansion of diverse energy products and business models

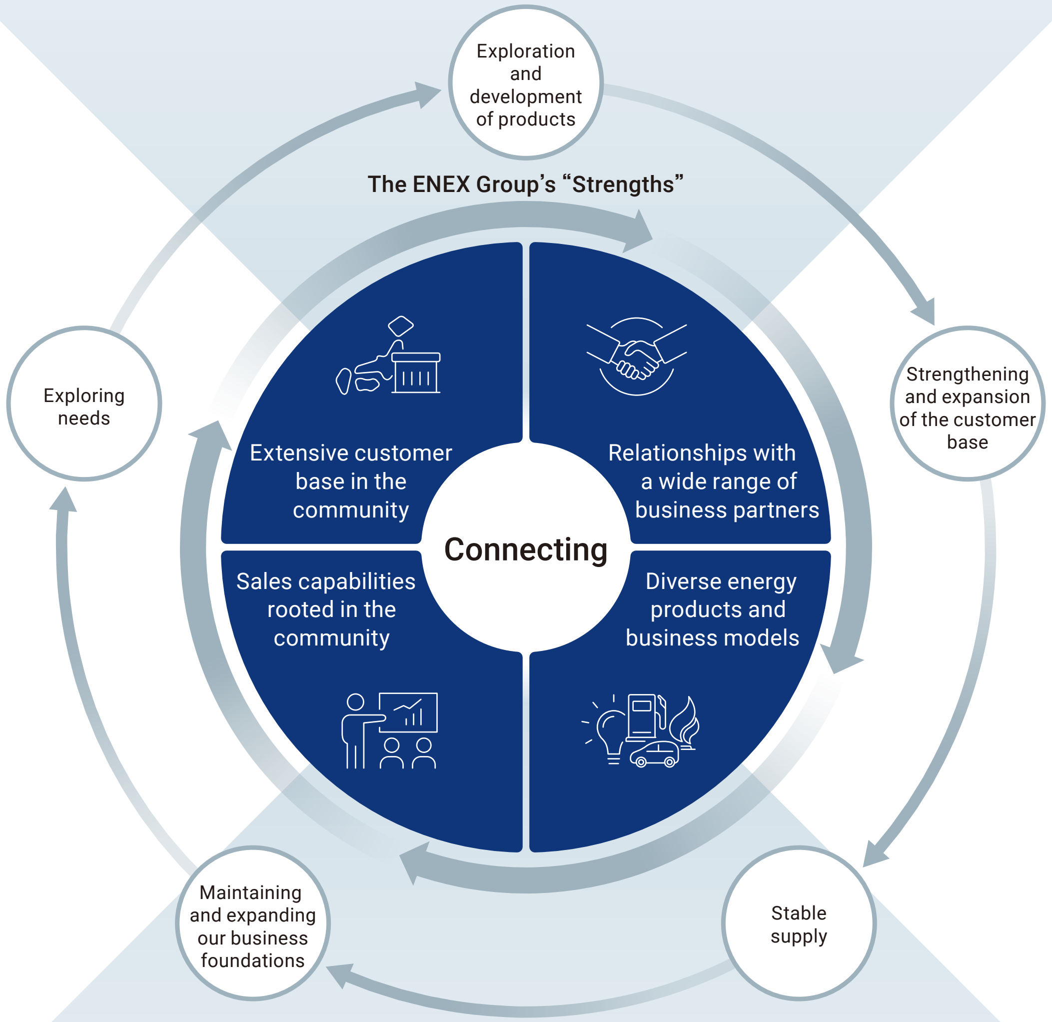
We have expanded our business domain by responding to social conditions and anticipating customer needs, and are currently involved in a wide range of business fields including gas, petroleum, electricity, and mobility-related businesses. Also, by collaborating with companies outside of the energy industry in response to the needs of society, we have been able to gain expertise that we previously did not have, leading to further expansion of our business domain and business models.

Strengthen sales capabilities rooted to community needs

Our nationwide network of offices enables us to conduct sales activities that are closely tailored to each region and meet the detailed needs of our customers. This close attention to the needs of each region and the repetition of proposals tailored to each region have strengthened our client base and led to the discovery of new needs and new commercial opportunities.

* Car-Life Stations are multi-service refueling stations produced by the Company.

Expand Our Products

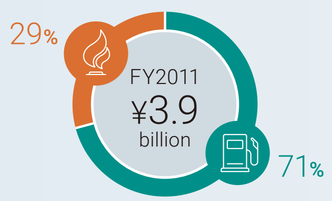


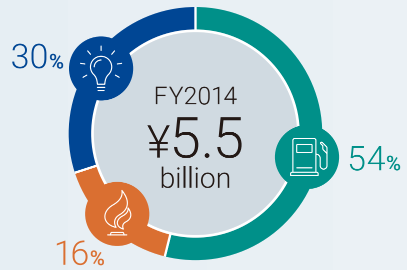
Expand Our Customer Base

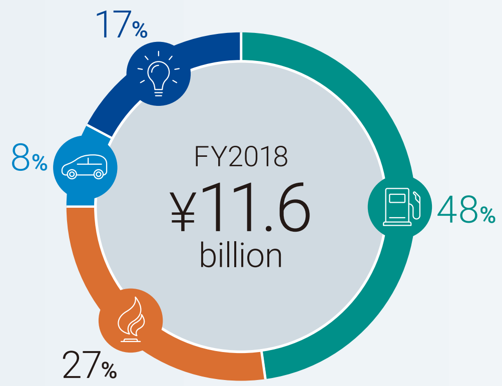
History of Expanding and Transforming Foundations

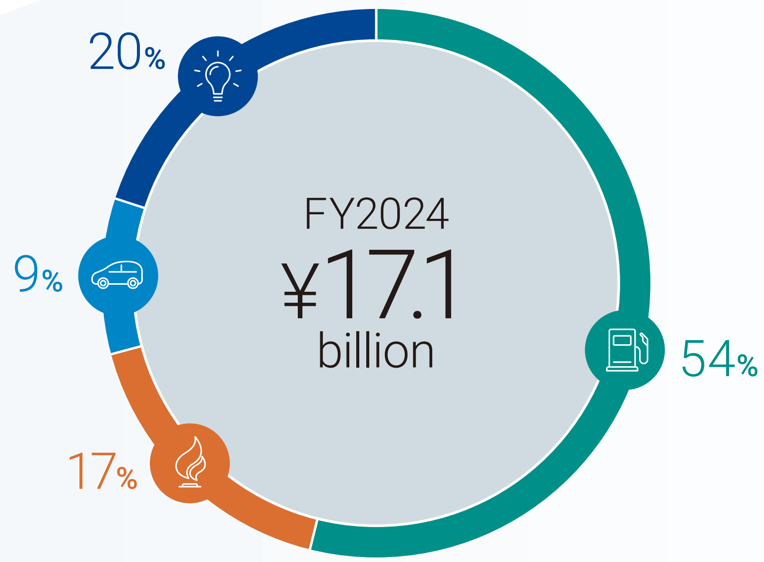
In the more than 60 years since its inception, the Group has overcome all kinds of difficulties by anticipating the needs of social structures and customers, and using these insights for the flexible transformation of its business portfolio and continuous expansion of its business foundations.
In the face of the current major changes in the business environment, we are working to overcome them by evolving our business portfolio to realize the next ITOCHU ENEX through the provision of a variety of energy services for people's lives and industry, while maintaining and expanding our business foundations and taking on new challenges.

Changes in Net Profit and Revenue Portfolio









Accumulated business portfolio foundation

Petroleum

Affiliate Car-Life Stations
Approx. 1,500

Locations delivering energy to corporations
Approx. 4,000

Gas

Households receiving gas
Approx. 1.5 million households

Retail network
Approx. 2,600 companies

Electric power

Group electric power sales contracts
Approx. 310,000

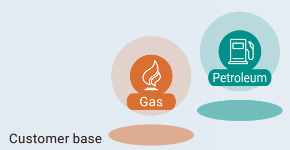
Heating supply districts in the Kanto area
19

Mobility

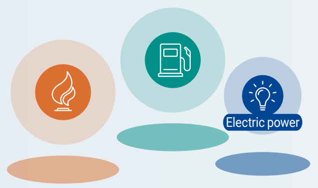
Car dealership outlets
102

Car rental outlets
620

Business transformation

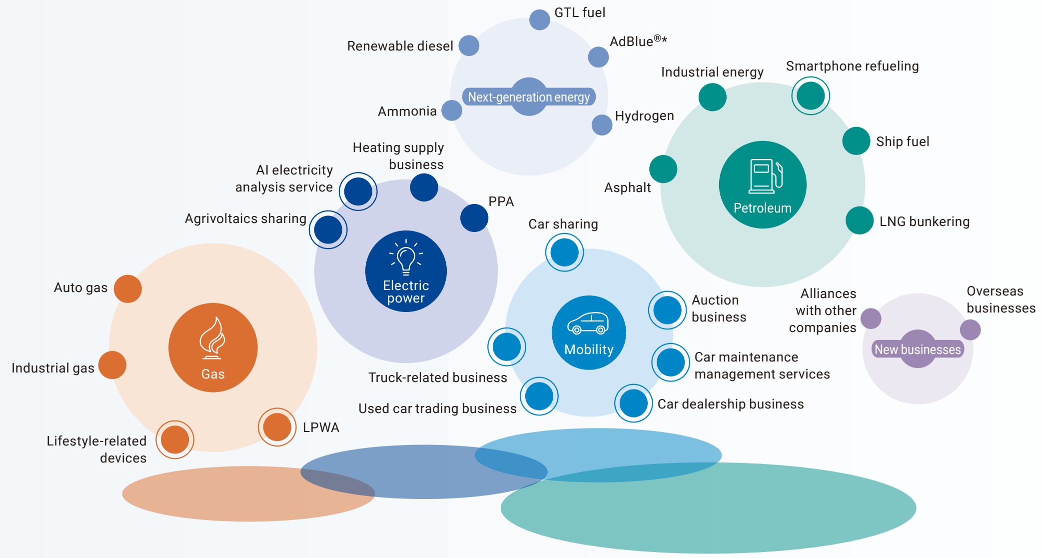


In response to accelerating changes in the petroleum industry, such as restructuring of the primary distributors due to declining domestic demand, we took the leap from a fuel trading company to an general energy trading company and built the foundation of our current industrial and residential energy customer base by strengthening our petroleum sales network and through M&As in the LP gas business.



Amid a difficult business environment in the petroleum and LP gas-focused businesses, we set a basic policy of evolving into a "multiple energy company" with energy, vehicles, and homes at its core. In addition to strengthening our operating base, we entered the electric power business in 2011 and the heat supply business in 2012.

We entered the car dealership business with the goal of creating a business that will fit future needs and lifestyles. While leveraging the existing customer base and sales network of the Car-Life Station business that is centered on fuel sales, we have been further exploring the needs in the downstream industry, creating a new Car-Life Station model and expanding the mobility business domain.



Under the Medium-Term Business Plan "ENEX2030," we are working to further enhance our customer base and profitability in our existing businesses, while at the same time integrating the respective customer bases. We have developed to date in order to promote expansion in the peripheral areas of our existing businesses. In 2023, together with ITOCHU Corporation we conducted a capital participation in Nalnet Communications Inc. to expand our car after-market business, and in 2024, we established WECARS Co., Ltd. to operate the used car sales business. While maintaining our existing core energy-related businesses as our earnings base, we will continue to evolve our business portfolio by positioning the mobility business as one of our growth drivers.

* AdBlue® is a global standard high-grade urea solution used to break down and detoxify diesel exhaust gases. (®AdBlue is a registered trademark of the German Association of the Automotive Industry (VDA).)

Changes in Downstream Needs

2000~

- Intensified sales competition and restructuring of primary distributors due to deregulation
- Global warming

2010~

- Soaring energy prices
- Intensified competition from electric power and city gas due to accelerated energy deregulation
- Acceleration of declining birthrate and aging population
- Consumer awareness and increased interest in energy conservation and efficiency

2020~

- Rapid changes in the composition and structure of global energy
- Increased opportunity for a decarbonized society

Value Creation Process

As "The Best Partner for Life and Society," the Group continues to contribute to solving social issues by quickly grasping the needs of each region through feedback from the field. By continuing to strive to resolve issues, we will expand our customer base, increase profits, and leverage these for the sustainable enhancement of corporate value.

INPUT

E Environment

- Response to climate change
- Water and wastewater management
- Biodiversity conservation
- Waste treatment

S Social

- Energy security
- Declining birthrate and aging population
- Decrease in convenience of living due to depopulation
- Decrease in the working population
- Protection of human rights

G Governance

- Establishing transparent and effective governance
- Improving capital efficiency

Priority sustainability issues (Materialities)

For details, see P.42-43

Response to Climate Change

For details, see P.44-48

Access to Energy

For details, see P.49

Human Resource Utilization

For details, see P.50-53

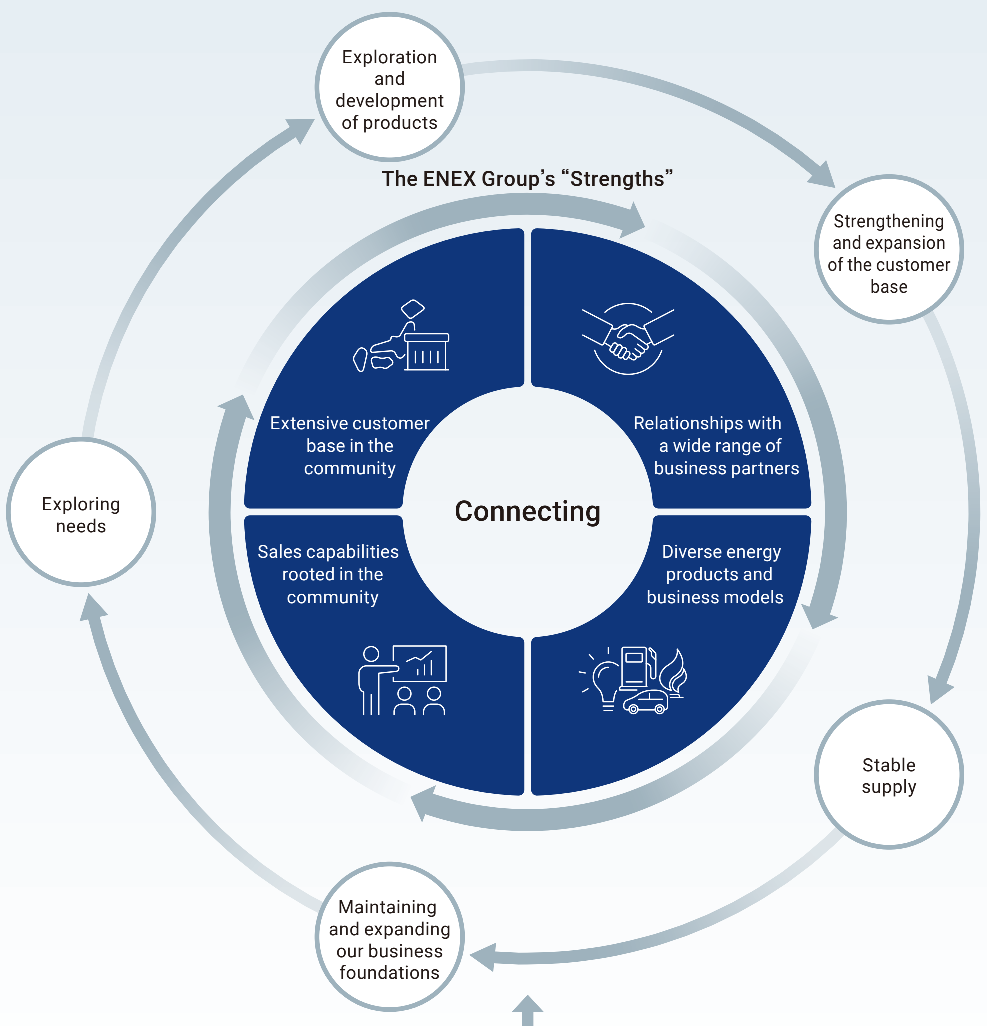
Corporate Governance

For details, see P.54-63

Corporate Philosophy

The Best Partner for Life and Society

– with Energy, with the Car, with the Home –



OUTPUT

Service area

Petroleum Gas Electric power Mobility

Strategy by Business

For details, see P.28-37

CAR-LIFE DIVISION

For details, see P.30-31

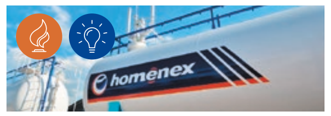
INDUSTRIAL BUSINESS DIVISION

For details, see P.32-33

POWER & UTILITY DIVISION

For details, see P.34-35

HOME-LIFE DIVISION



For details, see P.36-37

OUTCOME

Increase the value provided to society

- Stable supply of energy with low environmental impact
- Stable and transparent energy prices
- Resilient supply chains that can withstand disasters and risks
- Provide energy and lifestyle services tailored to local characteristics
- Business activities that contribute to local industry

Improved stakeholder relations

Business partners and suppliers

- Strengthening trust and partnerships as a business partner
- Synergy through the Group's networks and expertise
- Pursuit of mutual profit through business
- Cooperation to foster innovation
- Promoting eco-friendly procurement and dissemination practices

Local communities

- Contributing to the development of prosperous communities; creating new communities
- Initiatives to conserve the environment and biodiversity
- Initiatives to foster the next generation; support people with disabilities

Shareholders/investors

- Commitment to market expectations through enhanced capital efficiency and steady realization of management plans
- Positive communication and appropriate evaluation

Reinforcement of activities

Re-recognition of social issues

Message from the President

NOBUYUKI TABATA

Representative Director and President

We will realize transformation toward sustainable enhancement of corporate value by taking on the challenge of utilizing the management resources we have inherited.

Actual site, Actual goods, Actual situation

My name is Nobuyuki Tabata, and I have recently been appointed as President. I joined ITOCHU Corporation in 1990 and have worked in sales in the chemical products division for the past 35 years. I started by visiting SMEs throughout Japan, and then spent more than half of my career involved in trading overseas, including secondments to operating companies in the U.K. and the U.S., and setting up a JV corporation in Los Angeles. One of the basic actions in my own work has been to thoroughly understand "the actual site, the actual goods, the actual situation". The answers to these questions are only to be found on the actual site, whether in Japan or overseas, and not only regarding an understanding of products we handle, but also in what our customers, suppliers, and markets are looking for. Especially in a business such as ours, which directly touches the daily lives of people in the community, it is important not only to pursue our own profit but also to keep thinking and making decisions from the perspective of the people to ensure the continuity of the business and, in turn, to continue to support the lives of the people living in the community. It is exactly such a sustainable business model that represents the essence of our corporate philosophy, "The Best Partner for Life and Society."

Yet, it is not something I can achieve alone. When I started a company from scratch, I was forced to handle all of the matters by myself, which made me keenly aware of the value of a company as an organization. ITOCHU ENEX already has more than 5,000 Group employees on a consolidated basis, who demonstrate strong organizational strength in their handling of each business, but in the specifics, there is the actual situation and the sweat and tears of daily trial and error that cannot be seen from the polished reports delivered to my office. Together with everyone who works with me, I would like to come face-to-face with the actual sites and demonstrate the Group's collective strength.

Culture of our "Customer Base"

Since assuming this position, I have visited area branches and operating companies throughout Japan and have come to realize that the Group is an entity that matches our Corporate Philosophy of being "The Best Partner for Life and Society." The "customer base" is our common language on the actual site, but this does not simply refer to the number of customers using our products and services. The "customer base" is our common language on the actual site, but this does not simply refer to the number of customers using our products and services. The "connections" which have continued across generations and keep us close to the changes in each household's lifestyle and changes in the business of industries are what we refer to as our customer base. By building and maintaining these strong connections

on a daily basis, we are able, for example, to offer electricity to our customers who regularly purchase cars from our auto dealer business or to whom we deliver LP gas. Developing a "customer base" will ensure the long-term stability of the Group's profits and will also enrich the source of new business. ITOCHU ENEX has continued to build on these relationships over the decades, expanding to our current scale of more than 1,500 Car-Life Stations, supplying LP gas to 1.5 million households and electricity to approximately 310,000 customers. I see it as my role to continuously strengthen this unique "customer base," a strength that cannot be easily imitated, while at the same time encouraging challenges that go beyond the boundaries of conventional thinking and transforming the company into “The Best Partner for Life and Society” for the future.

“Polish" and Development

As for the business environment surrounding the Company, the problem of the declining population due to the declining birthrate and aging population is becoming more serious, and although there is a sense of crisis regarding the risk of a decline in the number of households, our current market share still has room to grow compared to the size of our market. Restructuring of the existing energy industry is also accelerating, and we hope to capitalize on this trend and turn it into an opportunity to "polish" our existing businesses.

For example, the LP gas business, one of our original businesses, is undergoing a period of change following the business integration of major wholesalers in order to ensure supply stability due to geopolitical risks, intensify price competition, and respond to environmental concerns. The integration of businesses will also lead to restructuring of logistics systems, providing an opportunity for us, as a trading company connected to the downstream, to review our relationships with both upstream and downstream. LP gas is used by about 21 million households nationwide, and despite the impact of energy deregulation, many of the downstream companies that supply it are small, local businesses. Although it is a mature industry with a long history, for better or worse, such that there are almost no new entrants and the business is stable, it is difficult to expect growth on an individual company basis, and because of the heavy labor involved in transporting LP gas cylinders, an increasing number of companies are being forced to close due to succession problems. By expanding our partnerships with companies in these regions, we hope to create economies of scale, increase our bargaining power with upstream companies, and improve profitability, which is a chronic industry challenge.

On the other hand, since the domestic population is certain to decline over the long term, we also need to make the most of our customer base, which is one of our assets, to develop and nurture peripheral businesses other than the energy business in the context of people's lives. In the Car-Life Division, we are already engaged in a variety of businesses that are part of the "car life cycle" (the series of stages from the sale of new cars, to resale as used cars, to eventual disposal as scrap), but there are still peripheral businesses that can create added value through the provision of new mobility products and services. Proposals for EVs may also be generated from synergies with the electric power business, which has a customer base of general households and businesses. Since electricity and LP gas serve the same general households as the customer base, there is potential for the creation of services that are more closely related to daily life, such as businesses related to housing itself, or, for example, the creation of a food business, for example, from the perspective of cooking and home appliances.

We will pave the way for the future of ITOCHU ENEX by "polishing" our existing businesses and developing new businesses, which we can do only with the strength of our customer base.

ENEX2030

The slogan of the current Medium-Term Business Plan, "To Create Driving Force of Life," expresses our desire to be a driving force that moves industry and energizes people's lives. As "The Best Partner for Life and Society," we have formulated a long-term timeline divided into four stages for the eight-year period to 2030, with the aim of transforming the Group based on our vision of what it should be in the future. In the first half, we plan to polish our existing businesses that leverage our strong customer base by strengthening on-actual-site capabilities, and build up stable revenue, while accumulating quality new business projects by exploring and investing in new businesses. In the second half, we plan to expand the scale of investment, accelerate business development, and transform our revenue portfolio.

As described in the progress of the Medium-Term Business Plan announced on April 30, 2025, we have positioned the mobility area as a growth driver and have established a policy to establish it as one of the pillars of our revenue portfolio. This business will be the most obvious point of transformation, but we will gradually reconfigure our portfolio to be more profitable and less dependent on the energy business, while identifying and nurturing new businesses in the peripheral areas of existing businesses that form the earnings base. Given the current capabilities of each business, I believe that by building on their respective profitability and reforms, we can realistically look forward to achieving net profit of ¥25 billion in FY2030. Needless to say, we are also responsible for returning profits to our shareholders. We will aim to generate stable resources for strategic investments while incorporating changes in circumstances, and naturally we will steadily fulfill our committed financial targets in each fiscal year, while aiming to be in a position to say that our plan of ¥20 billion net profit is the bottom line.

In the 1st stage, "ENEX2030 '23-'24," we made steady progress in laying the foundation for this project. We also conducted reorganization to increase on-actual-site agility by reviewing department and section guidelines and spinning off the Home-Life Division. In addition, we have developed an aggressive structure by establishing a new Subsidiaries & Associated Companies Management Department and developing the personnel and systems to professionally support new and strategic business investments in the Investment Strategy Section, while at the same time, in anticipation of increasingly active investments and actual-site-oriented activities, we have strengthened our defensive capabilities by establishing a Group Development & Monitoring Section to manage the investment efficiency of new investments and existing businesses, and a Risk Management Section to professionally manage business risks from a variety of perspectives.

While steadily advancing these preliminary preparations, we are also improving the profitability of our performance. The planned annual net profit of ¥13.5 billion and ROE of 8-9% have been achieved for two consecutive years, and in FY2024, net profit was ¥17.1 billion and ROE was 10.2%, far exceeding the targets. Although this included one-time gains, we are making progress in improving our structure towards one that can generate basic earnings even after deducting such gains.

Regarding investments, we did not reach the amount that we targeted, but I feel that we made good quality investments in terms of the careful selection of projects. Particularly in the mobility area, we invested in Nalnet Communications and WECARS. Around 50 of our employees, most of whom are experienced in the actual site of our Car-Life Division, have been transferred to WECARS and are working vigorously to rebuild the company by rebuilding the underlying culture, including compliance and personnel evaluation systems, and by providing practical training to develop human resources. Although we still have a ways to go, the number of customer visits is gradually recovering due to our services with thorough price transparency, and we are moving forward with the goal of returning to profitability within a few years. These investments have become a very important work in progress, not only to strengthen the structure of the Car-Life Division and expand its future earnings base, but also to chart the future portfolio of the Group's businesses.

Regarding other investments, our investments in Koukandekirukun, Inc., an e-commerce company for housing equipment, and ENECHANGE Ltd., an electricity

and gas switching platform, are investments that have created peripheral businesses where our respective LP gas and electricity customer bases overlap. On the other hand, our capital and business alliance with Nichireki Group Co., Ltd. has played a very significant role in strengthening our customer base itself. These projects were created from the frontline of sales, and I feel a sense that awareness within the company is steadily beginning to move toward the future.

In the second stage, "ENEX2030 '25-'26," we will not stop this momentum, but use it as an "investment strategy implementation phase" to accelerate the transformation of our portfolio by nurturing the abovementioned businesses in which we have invested and by creating further mechanisms. As stated in the subtitle, "Actively use DX for aggressive and defensive measures," the new ERP that is currently being developed will be an important initiative to support our ramping up of new and strategic business investments. After completing the integration of core systems, including those of Group companies, in the first stage, we will evolve it into a major weapon to support those on actual-site in both offensive and defensive aspects, such as reducing the burden of existing operations and developing new businesses, in order to encourage each actual-sales-site to run on their own. We intend to first visualize the various data that forms the Group's customer base so that it can be used across domains, and then in the future, by combining AI and external data, evolve it into a tool that can help uncover commercial opportunities and new businesses that are difficult to find through day-to-day activities.

For these two years, we have set annual financial targets of net profit of ¥16 billion, substantive operating cash flows of ¥38 billion, and ROE around 9.0% for each fiscal year. Looking at the results for FY2024, we have steadily improved our structure to generate profits, and I believe that we will be able to achieve these targets as long as we control prices and expenses appropriately as a matter of course. With respect to our cumulative target of ¥50 billion in new and strategic business investments, we will continue to carefully select quality projects and accumulate projects that will contribute to portfolio transformation as we have done in the past.

Removing Psychological Organizational Barriers

It is human resources that support ITOCHU ENEX's strong on-actual-site capabilities, and more than DX, it is necessary to organically combine diverse human resources. We have grown as a vertical organization that emphasizes the expertise of individual businesses in order to fulfill our mission to "deliver" by connecting upstream and downstream. The ability to make decisions and to unite in the face of difficulties under this system is a great organizational asset, just as we were able to demonstrate the mobility to respond quickly to disasters such as the Noto Peninsula earthquake. I would like this strength to be demonstrated both vertically and horizontally to create new commercial opportunities and new businesses that transcend organizational barriers, and our policy is to work to activate personnel transfers with the goal of creating an organization that lowers barriers between organizations and provides involvement.

When we talk about working across different domains, some people think of setting up a cross-sectional organization. However, what truly matters is having connections with people in various fields, people you can turn to right away when an idea beyond your own area of expertise comes up. It's about the network and the relationships, not about the organization itself. Although we have engaged in the rotation of mainly younger workers in their second to eighth year, I would like to strengthen the relationships that allow cooperation vertically and horizontally throughout the organization by activating personnel transfers without being bound by customary practice.

Personnel transfers also have the effect of increasing the fluidity of knowledge and experience that resides in people and broadening the organization's perspective. Looking at the current trend, where a variety of values and perspectives are required, over the past decade ITOCHU ENEX has also reviewed its human resource strategy, including its recruitment plan, and has taken measures to increase the diversity of its human resources. The ratio of female hires exceeds 30%, and in recent years opinions are being expressed openly, especially by younger employees. I would like to encourage this trend of a changing atmosphere within the company even further by strengthening personnel transfers to increase the speed of change.

Fostering a Culture that Recognizes Challenges

It is essential to involve others in order to realize a new idea, but more importantly, deciding to take the first step is crucial. Each employee's decisions move the organization, move customers, and lead to results in terms of profit. Of course, there are times when things go wrong, but everything, including failures, becomes food for thought, and when many people are equipped with this experience, we can say that we have finally become a self-driven organization that has delegated authority to the actual sites. However, it takes time to be able to feel this, so we must take a long-term perspective. In particular, because of our stable customer base and profits, it is easy for both sales and administrative departments to become defensive, so it is necessary to encourage a change in mindset through a certain degree of coercion. In FY2024, the evaluation points for the company-wide awards were changed to be based on the current management strategy, and incorporated on-actual-site capabilities, DX, and new and strategic business investments. This selection criterion for this evaluation is based on the evaluation of performance against the usual goal setting, which leads to the establishment of a conscious framework for taking challenges in daily work and the development of managers' ability to monitor and correctly evaluate employees' daily activities. Management's role is to continue to identify and implement such mechanisms, and by assigning personnel who can monitor and evaluate challenges on actual site, we will continue to promote change toward strategy implementation from the cultural and organizational aspects as well.

In Closing

We recognize that non-financial perspectives are also extremely important in enhancing corporate value. In particular, with regard to the environment, as an energy trading company, we will contribute to the realization of a decarbonized society through products that reduce environmental impact, such as renewable diesel, GTL, alternative fuels such as hydrogen, AdBlue®, and renewable energy supply, as well as earnestly working to reduce the Group's greenhouse gas emissions. Connections within communities are also very important to us. I believe that the establishment of a supply system for alternative fuels and next-generation energy can only be realized through stable cooperation with local communities. We will further focus on activities that contribute to the development of the local industries which we have been engaged in up to now, and promote initiatives with a constant awareness of their effectiveness so that we can continue to be a company that is needed as "The Best Partner for Life and Society".

From now on, ITOCHU ENEX will embark on a phase of concrete realization of this transformation. I am looking forward to being involved in the important decisions required at this time, but at the same time, I also feel a strong sense of responsibility. Considering the intervention value we can bring to the industry and the abilities of our employees, I believe that our corporate value can be further increased. I would like to share with our stakeholders my expectations for the mobility business and the new businesses that will emerge in the future, and realize those expectations for the future in a tangible way. I hope you look forward to the future of ITOCHU ENEX.