



# **ANNUAL REPORT 2007**

ITOCHU ENEX CO.,LTD.

Fiscal Year Ended March 31,2007



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Akira Koderu  
Representative Director and President

## Top Commitment

Our goal: to become a truly integrated energy company  
that helps build a more affluent society

## Our sights are set on growth, and customer satisfaction is our watchword

The global energy market has over the past several years become increasingly fluid and unstable due to, among other factors, galloping demand for energy in countries like China and India, growing geopolitical risks, soaring crude oil prices, and rising ecological awareness.

The Japanese energy market, meanwhile, is in the midst of a sea change. Gasoline consumption, for example, is falling as dwindling birthrates and a graying population alter the country's demographic structure, fuel-efficient compact vehicles proliferate, and people pursue more eco-friendly lifestyles.

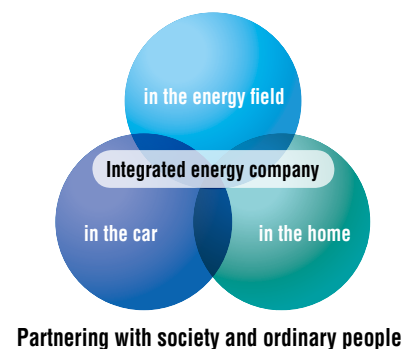
Fiscal year 2006 was thus a year of wrenching changes for the oil and gas sector, the industry in which Itochu Enex operates. The retail price for petroleum products fluctuated wildly. Service stations struggled to survive in the face of cutthroat competition, and those unable to compete in price and service were forced to merge at a faster rate than ever. In the LP gas sector, meanwhile, a massive wave of restructuring and mergers commenced at the wholesale level. A sense of unprecedented change is in the air.

Behind this transformation lies a 180° shift in the identity of the prime movers of the economy from producers and suppliers to consumers and customers. So great is this paradigm shift that no longer can you succeed in business without rec-

ognizing the central importance of the consumer. Whether as a manufacturer or a supplier of services, you must ask yourself how you can persuade consumers to buy your product, and what will most win their approval.

Itochu Enex's corporate philosophy is "Partnering with society and ordinary people: in the energy field, in the car, in the home." True to that spirit, we aim to transform ourselves into an integrated energy provider that enriches all aspects of people's lives. The product we deal in, energy, is one of crucial importance to society: without it both industry and ordinary life would grind to a halt. Just as blood is vital for the human organism, energy is absolutely indispensable to the functioning of society. Its tremendous importance makes us confident that even in the face of today's sweeping changes, the potential of Itochu Enex will prove unlimited, as long as we continue to offer products and services of genuine value that leave customers happy and enrich society and the lives of all its members.

True to this all-out commitment to our customers, we intend to take steps to revitalize existing enterprises and create new ones. We intend also to pioneer structural reforms designed to make the energy industry more flexible and resilient. By implementing such dynamic management, we will seize on today's era of change as an opportunity to grow our business, and thereby better fulfill our responsibility to customers and the market.



## CSR and compliance: both core corporate functions

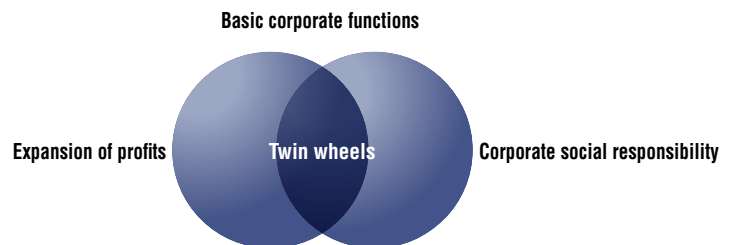
In a customer- or consumer-driven economy, it is not enough for just the goods and services that people come into direct contact with to live up to the expectations of customers and other stakeholders; all a company's activities must do so, even those that affect customers only indirectly. In that connection I consider compliance to be a core corporate function, one intrinsic to a company's very existence. It is a responsibility any company must discharge to survive.

In that conviction, Itochu Enex has, as a company that deals in energy, made a solemn commitment to ensuring safety and peace of mind for all stakeholders. It is also determined to preserve this beautiful planet for future generations. We therefore see compliance as one of the pillars of our corporate social responsibilities (CSR), and we have put in place our own distinctive CSR-compliance management strategy and taken ongoing steps to strengthen it. This strategy involves both developing and running the necessary organizational management structures.

CSR and compliance, we believe, are both ultimately rooted in people. For that reason we have put much effort into educating and enlightening all employees of the Itochu Enex Group about the issues involved, organizing, for example, an ambitious e-learning program. Beginning in 2006, moreover, experts in corporate compliance were brought as advisers

to give lectures to executives and employees and identify compliance challenges facing our business. Their recommendations have been of value in improving the quality of our CSR-compliance management. Thanks to these efforts, CSR-compliance is beginning to take firm root across all companies in the Itochu Enex Group as a core corporate function any firm needs to fulfill.

As our business grows, so too does our responsibility to society and the environment. Achieving coexistence with society and the environment and contributing to sustainable growth is, I believe, one of the most vital tasks we face, for otherwise we will not be able to sustain our own growth as a company. Each and every day, we will keep up our efforts to provide greater safety and peace of mind, with everyone on our team fully aware of our responsibilities to society. We will pull out all the stops in the quest to be an energy provider that contributes to the betterment of society and of the lives of its members.



**As an integrated energy company, Itochu Enex takes its social responsibilities very seriously. Our commitment is to achieving safety and security for society and the environment.**

## A growth-oriented business underpinned by sound, transparent management

Itochu Enex can only continue to grow if consumers and the market understand and support us in all our different enterprises. We therefore plan to further beef up corporate governance by properly disclosing information and adopting a risk management strategy designed to guarantee our survival as a business. Achieving sound, transparent management is our constant goal.

We have also been quick to put in place a system of internal controls. Steady progress has been made in establishing systemic measures to ensure reliability of financial reporting as required under Japan's Financial Instruments and Exchange Law, which takes force in fiscal year 2008.

We intend to continue pursuing an aggressive business strategy, well aware of our place in Japan's national energy strategy, and committed to a clear vision for growth. Rest assured that, in the process, we will achieve the targets enumerated in our medium-term vision Creation 2008 and boost our growth potential for the years beyond.

You, our stakeholders, can expect a lot of Itochu Enex in the future. I look forward to your ongoing support and cooperation.





# Corporate Philosophy

Energy is one thing people can't do without. By bringing society and ordinary households the energy they need, Itochu Enex acts as the vital link between producers and consumers of that all-important commodity. While remaining true to our roots as an energy trading firm, we are committed to meeting the needs of a new era by transforming ourselves into an integrated energy provider.

## Corporate Philosophy

### **Partnering with society and ordinary people**

**In the energy field, in the car, in the home**

#### Mission Statement

It has taken Earth 4.6 billion years to forge the energy resources humankind taps today. Itochu Enex's dream is to harness those resources for the greater benefit of society and ordinary people. Whether in the vital field of industrial energy, in your car on the road, or in the comfort of your home, we are a partner you can rely on. By effectively utilizing the planet's precious energy resources while exercising responsible environmental stewardship, our goal is to help build a more prosperous, more convenient society for all. That is our mission here at Itochu Enex. That is what our business is all about.

## Field of Business

**Energy for all applications, whether as a key component of social infrastructure or as a means of enriching people's lives**

## Code of Conduct

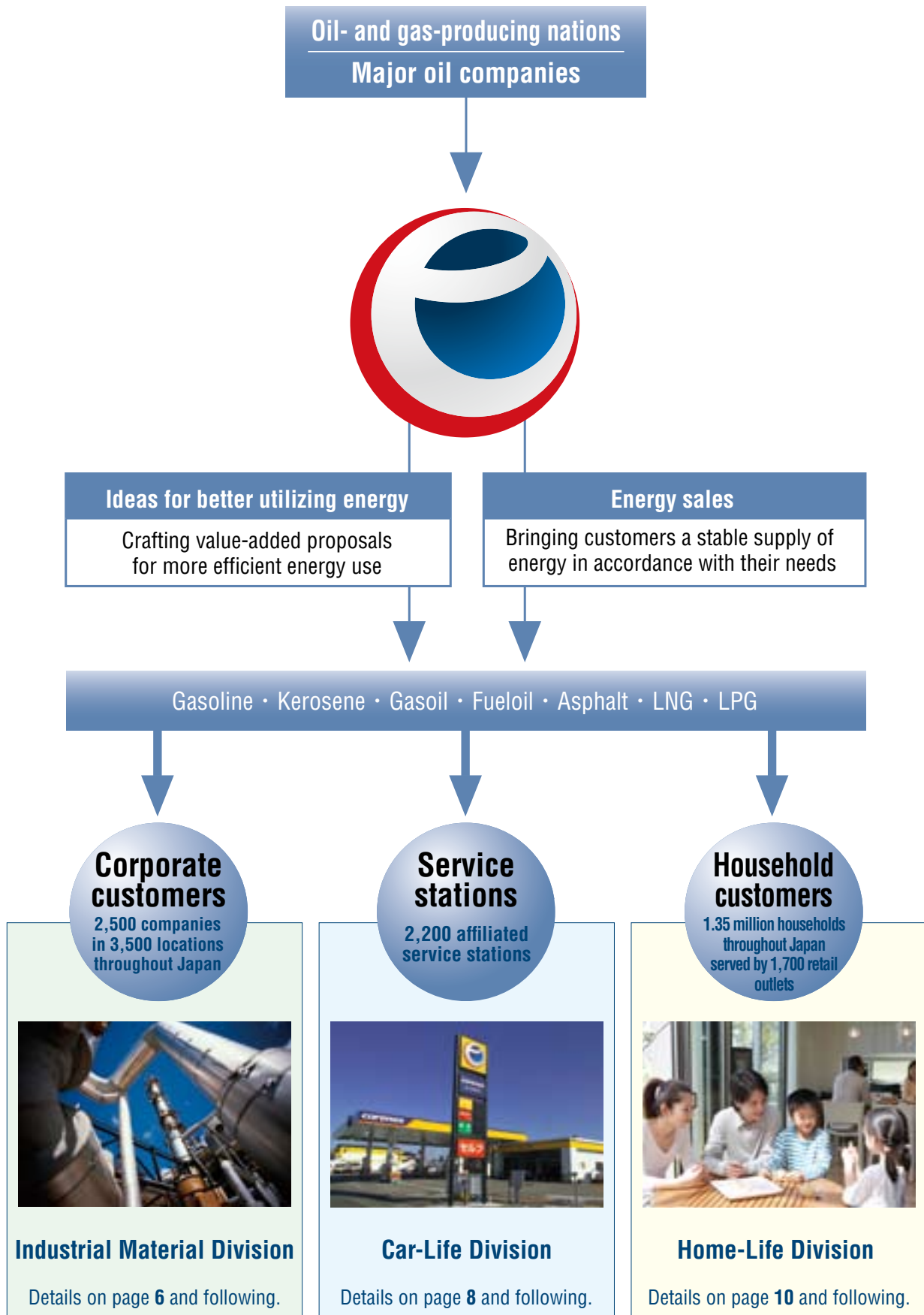
### **Be Ethical**

**(Reliability and sincerity, creativity and flair, transparency and integrity)**

On our fortieth anniversary in 2001, Itochu Enex adopted an employee code of conduct entitled "Be Ethical," which builds on our existing corporate precepts. All employees of the Itochu Enex Group are expected to understand the purport of the code and the ethical principles in which it is rooted, and to conduct themselves accordingly in all they do.



# Overview of Itochu Enex's Business



# Industrial Material Division

## Your industrial energy and materials expert, catering to all your needs

The Industrial Material Division sells industrial energy like oil, LP gas, and natural gas and industrial materials like asphalt and cement to 2,500 companies in 3,500 locations throughout Japan, including manufacturers, trucking firms, and shipping companies. For that we skillfully utilize a vast web of procurement channels, our own proprietary petroleum product terminals, and a highly efficient distribution network. By providing optimized solutions, we help industry to grow.

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### Divisional Strategy

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## Offering energy solutions

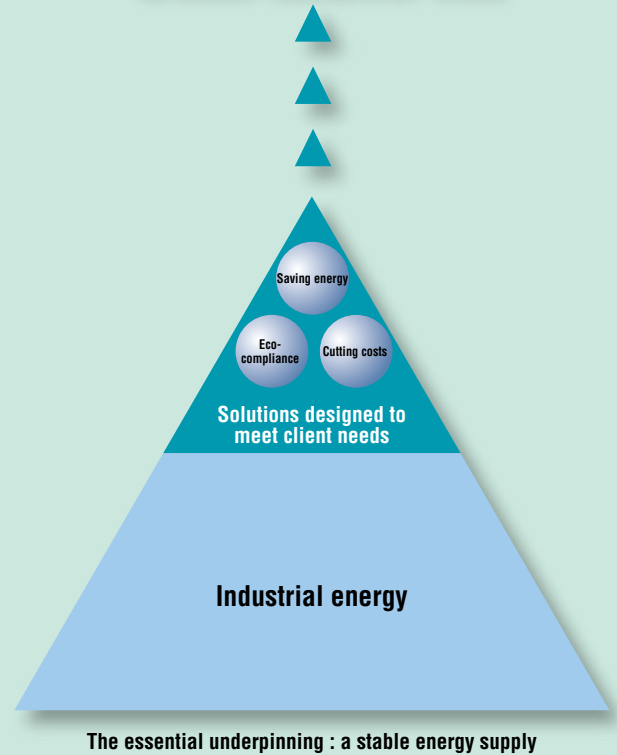
that support industry by meeting its energy-saving, eco-compliance, and cost-cutting needs

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We cater to demand for energy to keep the wheels of industry turning. If you are looking for ways to protect the environment and do business at the same time, and fuel conversion is on your agenda, we also offer optimized energy solutions designed to meet all your energy-saving, eco-compliance, and cost-cutting needs.

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### Greater customer trust



**By making the most of our all-round capabilities as professionals, we will maintain our coveted position as a supplier you can rely on.**

#### KEYMAN'S COMMITMENT

Hiroshi Arai, General Manager of Industrial Material Division, The Representative Director and Managing Director

In the market for industrial fuels, customers have over the past several years become more demanding than ever when it comes to such issues as cutting costs, saving energy, and achieving eco-compliance. Our greatest strength lies in the fact we possess all-round capabilities backed up by flawless professionalism. We offer a full menu of effective solutions, and provide clients with exactly what they require in the most convenient form possible. Our Energy Solutions Department, for example, offers all-round energy solutions embracing heat, steam, and electricity, including fuel conversion to natural gas. In the field of essential utilities, the New Product Development Team supplies groundwater filtration systems for converting groundwater to drinking water, as well as high-pressure gas. To cater to corporate clients in the trucking sector, meanwhile, we have launched the CardFuel system, which keeps a record of fuel consumption through a nationwide network of service stations; we also supply the urea solution AdBlue for SCR systems, which curb NOx emissions. Both have earned high praise.

Guided by the three Qs — quality, quantity, and quick response — we plan to continue making the most of our all-round capabilities as we take steps to improve service, expand sales, and better cater to customer needs. After all, we are determined to maintain our coveted position as a supplier you can rely on.

# Supporting industry. Formulating eco-solutions. Both part of Enex's job.

## Designing efficient cogeneration systems

Cogeneration systems help dramatically improve energy efficiency by recovering exhaust heat produced during generation of power and using it to produce heat energy in the form of, say, steam or hot water.

## Supplying clean natural gas

LNG is a clean form of industrial energy. Any impurities and sulfur are removed when the natural gas is liquefied, and, in terms of molecular structure, LNG has a low carbon number. Demand for the gas is therefore growing. Enex LNG, part of the Itochu Enex Group, offers customers in places like Okayama City natural gas energy solutions specially tailored to large-scale supply needs.

## Helping industry grow by supplying high-pressure gases

By supplying compressed gases like oxygen, nitrogen, hydrogen, argon, and gas for semiconductors, we make a difference for clients in industries ranging from machinery, chemicals, and electronics to foodstuffs and healthcare.



Demand for oxygen for medical use is climbing



## A stable supply of fuel oil to keep industry rolling

We also sell fuel oil, an industrial fuel that offers excellent cost-performance. Backed up by Itochu Enex, Japan's manufacturing and transport industries lead the world.

## Supplying truck fuel and cleaning exhaust gas

Besides oil for diesel trucks, we also sell the urea solution AdBlue for urea SCR systems. These systems are designed to efficiently break down and remove NOx from the exhaust gas of diesel vehicles by spraying it with urea solution while still in the exhaust pipe. The market for AdBlue is growing by leaps and bounds.



Urea solution for urea SCR systems

## Sales of asphalt

Asphalt is indispensable to building roads and other elements of social infrastructure. Thanks to a strategy embracing the whole Japanese market, and efforts to develop and strengthen our network of distribution terminals and tanks, we have steadily increased our share of asphalt sales in Japan.

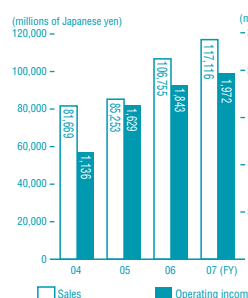
## The Industrial Material Division: Continuing to grow

2,500 corporate customers  
throughout Japan

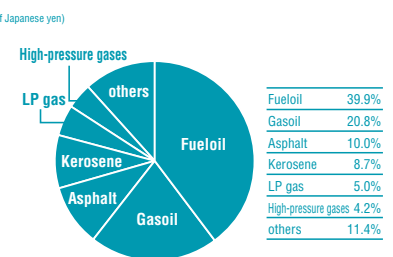
In 3,500  
separate locations

Strategically catering to client needs on a nationwide scale

## Sales and Operating income



## Sales composition





# Car Life Division

**Already the industry front-runner, now we're shifting gears to pull further ahead.**

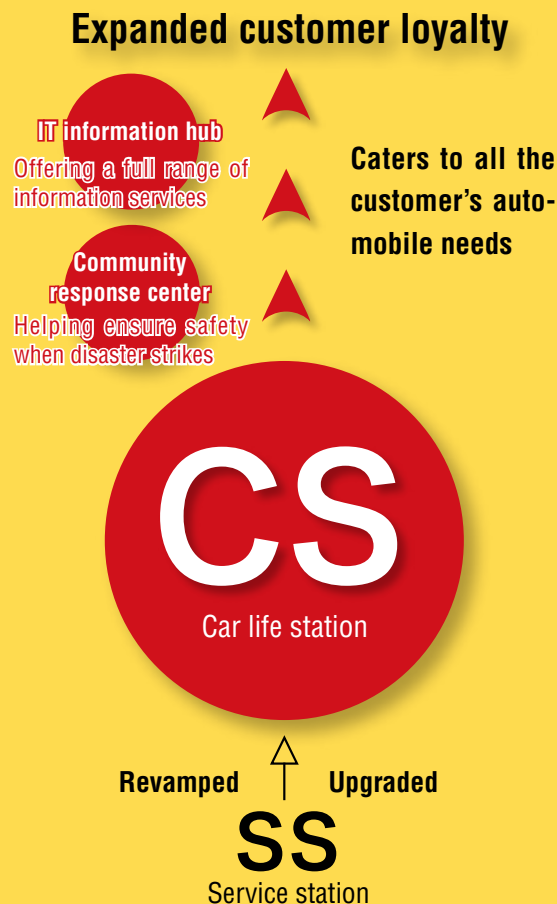
The Car Life Division sells gasoline and other fuels to service stations, suppliers of the lifeblood of our automobile-based society. In fiscal year 2006, the Division sold 3.12 million kiloliters of gasoline, 14.4 million kiloliters of kerosene, 2.33 million kiloliters of diesel fuel, and 1.03 million kiloliters of fuel oil. That is a total of 7.9 million kiloliters of fuel, which makes us the No. 1 energy trading firm inside Japan.

## Divisional Strategy

# From service station to car life station

**Expanding our customer base by fostering a new retail format**

At a conventional service station, you can get a fill-up for your car but not much more. We want to replace it with something that caters to all your automobile needs — a retail format we call the “car life station,” or “CS” for short. By making car life stations the customer’s preferred choice and expanding our network of them, Enex aims to further bolster its position as industry front-runner.



**We're living up to our customers' expectations by building unbeatable “car life stations” — a revolutionary new retail format designed to survive and prevail.**

**KEYMAN'S COMMITMENT**

Akira Doi, General Manager of Car-life Division, Managing Director



After Japan scrapped the Provisional Measures Law on the Importation of Specific Petroleum Refined Products in 1996 and liberalized imports of petroleum products, the country's service stations fell on hard times. Now many of them are being weeded out, and only by fundamentally changing the way you do business can you survive. In these challenging times Itochu Enex is seeking to boost non-gasoline revenues by pursuing a strategy centered around “car life stations” (CS) — a formidable new retail format that is dedicated to providing a full range of services for car owners. The idea is to upgrade traditional service stations into car life stations specializing in providing services that cater to the customer's every need, and thus restore their profitability and expandability. To put this strategy into action, Itochu Enex has itself taken the lead in implementing such services as buying and selling of automobiles, vehicle inspections, and bodywork. And in recommending the CS format to gas retailers, it has further differentiated it from the typical gas station by enhancing it with community response and IT hub functions.

Service stations that make the shift to the CS format are more price-competitive because they enjoy a steady source of non-gasoline revenues. That leads to a virtuous circle in which an increase in customers results in greater sales volumes. Itochu Enex also intends to expand its network of large self-service stations and aggressively pursue M&As with the goals of accelerating expansion and boosting sales volumes.

By unleashing our biggest strengths — our frontline experience, our people, and our creativity — we plan to build a network of outlets that customers choose to come back to. That way we can live up to the expectations of customers and retailers alike.



**Enex car life stations.  
Ushering in a new era on the road.**



Car life station

# カー・コレクション SUPER

## Super Car Collection

Consolidated database of customer and vehicle information

This is a revolutionary sales support system without precedent in the gasoline industry. It streamlines operations by consolidating information on customers and their vehicles in all areas of service: buying and selling, vehicle inspection and servicing, and light bodywork.

## The Car Collection system for purchase and sale of used vehicles

A total of 386 gas dealers are affiliated with this program (as of July 31, 2007). The typical dealer sells an average of 2.5 vehicles a month, which testifies to the high level of demand for vehicle sales at car life stations.



## Mr. Dependable vehicle inspection and servicing

An upgraded version of the Holiday Vehicle Inspection service, which was designed to be offered by designated vehicle inspection stations. This new service format is intended for certified vehicle inspection stations and as such is well suited to the car life station format.



## Touchup Yasubei light bodywork service

A light bodywork shop that customers can pay a quick visit to when filling up their car or getting it washed. This new service format is designed for certified vehicle inspection stations.



## Car Enex Itsumo Card

No sign-up fees and no annual membership. This card enhances life on the road with a wide range of alluring options like a discount on the price of gas. It has been available for just three years, and already membership has shot above the 350,000 mark.



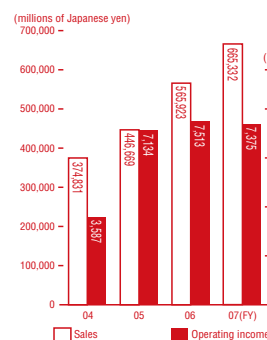
### ● The Car Life Division: Setting the pace for the industry

**2,200 Enex-affiliated stations**  
throughout Japan

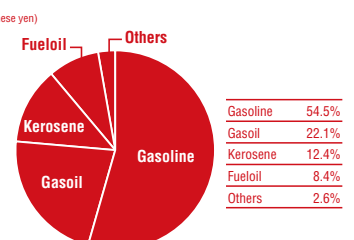
**5% share**  
of domestic gasoline sales

Japan's No.1 domestic energy trading firm by size of network and sales

### Sales and Operating income



### Sales composition



# Home Life Division

## Bringing 1.35 million Japanese households greater comfort and convenience with LP gas.

Via a network of sales companies located in every area of the country and some 1,700 retail outlets, the Home Life Division supplies LP gas to 1.35 million households throughout Japan. That figure represents roughly 5 percent of the households that use LP gas in Japan today. To better cater to our customers' needs, the Division also offers a wide range of carefully crafted products and services and suggests ideas for better living. It thereby enhances comfort and convenience for people all over the country.

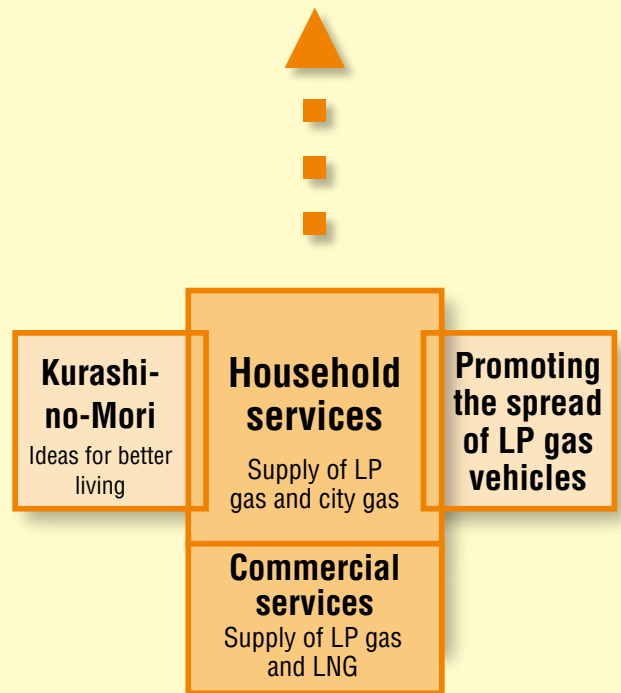
### Divisional Strategy

## Becoming the community's No. 1 choice

by spreading the benefits of LP gas and sharing ideas for better living

LP gas, being very eco-friendly, is a highly promising energy source, and we want to get more households using it by spreading the message about its advantages. We also aim to become people's No. 1 choice in the LP gas market by achieving a high level of customer satisfaction, to which end we offer a wide range of products and services.

## The company preferred by customers



## LP gas is an excellent energy source, and we make it even safer. We also bring people ideas for better living.

### KEYMAN'S COMMITMENT

Shunichi Honkado, General Manager of Home-life Division, Managing Director

Because LP gas is highly heat efficient and emits little CO<sub>2</sub>, its environmental footprint is small; moreover, its ease of transport makes it resilient to natural disasters. Worldwide production of the gas is poised to rise, and, since it is a source of hydrogen for fuel cells, demand too is expected to climb.

But the Home Life Division is not content merely to be a supplier of this excellent form of energy. We believe it is also vital to get out the message about the advantages of LP gas to customers; hence our "Kurashi-no-Mori" service, which suggests ways of using LP gas to make life more convenient. During the year, under the banner of our longstanding "Gas Is Better!!" campaign, we showcased eco-friendly items like the Ecowill super-efficient water heater; we are also becoming involved in nutritional education by helping teach children about the wholesome goodness of home cooking. Furthermore, we have launched a new home renovation service for our customers in partnership with Asclass LSA Inc. Keeping customers satisfied will also require developing infrastructure to supply LP gas more safely and cheaply. A pioneering move in that regard was the launch of ECORE Co., Ltd. the Kyushu region's largest supplier of LP gas, on April 1, 2007. Itochu Enex will keep up its efforts to develop an LP gas supply network for today's new era and get out the message about the attractions of LP gas to consumers.



Let Enex help you get more satisfaction out of life.



**Promoting the spread of LP gas vehicles**

We are working to promote the spread of LP gas vehicles by selling high-quality cars that run on that fuel and establishing a nationwide network of auto gas stations that supply LP gas.

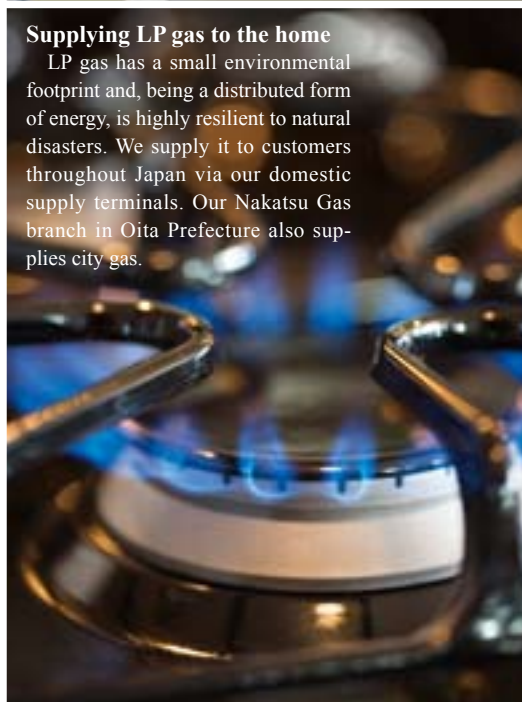


The Grandeur LPI, an LP gas vehicle made by Hyundai



**Supplying LP gas to the home**

LP gas has a small environmental footprint and, being a distributed form of energy, is highly resilient to natural disasters. We supply it to customers throughout Japan via our domestic supply terminals. Our Nakatsu Gas branch in Oita Prefecture also supplies city gas.



**Bringing people greater comfort and convenience**

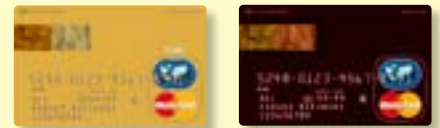
Our Kurashi-no-Mori service brings household customers ideas for more comfortable living. Information on products and services designed to enhance comfort and convenience are disseminated via a stylish information magazine and an attractive website. You will also find all kinds of eco-friendly ideas like a double generation system for the home (Ecowill plus solar power).



Information magazine 「Kurashi-no-Mori」

**Renovation ideas for a safer home**

Itochu Enex has launched a home renovation service in partnership with Asclass LSA Inc., a company with a nationwide presence. Since we are in the business of supplying LP gas, this service, naturally enough, focuses on enhancing safety and comfort in the kitchen, dining room, and bath. A credit card service is also available.



Kurashi-no-Mori Asclass Card



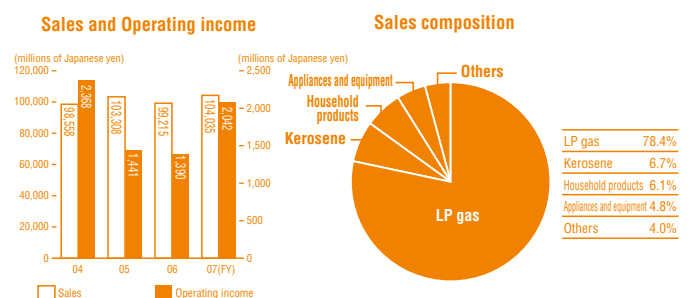
We organize cooking classes that teach good nutrition. Hands-on experience in the kitchen gets kids thinking about the importance of healthy eating habits and helps them develop lifestyle skills.

**● The Home Life Division: With a presence in communities across Japan**

1.35 million households supplied throughout Japan

ECORE Co., Ltd.  
Kyushu's largest LP gas supplier

Strengthening our sales network by better serving local communities





# Alternative Energy Development Office

## Laying the foundations of an eco-friendly society for tomorrow by pursuing R&D on energy technology

Depletion of resources and threats to the environment require a truly global response. So the Alternative Energy Development Office believes, which is why we have undertaken an impressive range of activities in two areas: developing clean forms of energy for the next generation and bringing them into wider use; and developing energy-saving technologies to enable more efficient use of the planet's limited resources. Taking advantage of our position as the No 1 energy trading firm in the industry, we intend to further expand the range of our efforts and strengthen our partnership with others.

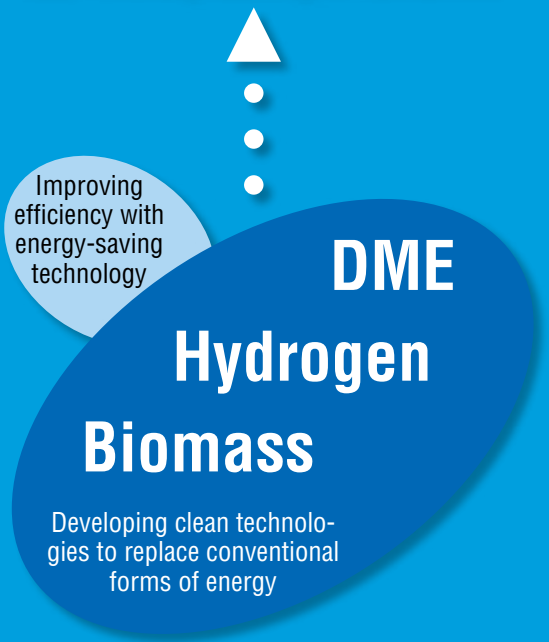
### Basic Strategy

## Developing clean technologies to replace conventional forms of energy

### and thus lay the groundwork for the eco-friendly society of tomorrow

Our goal is to replace conventional forms of energy with eco-friendly technologies, and to that end we are pursuing ambitious research and development projects on new forms of energy. Boosting the efficiency of existing forms of energy is also part of our research. We are thus doing our part to help build the sustainable society of tomorrow.

## Eco-friendly society of tomorrow



## In line with Japan's eco-oriented national energy strategy, we are accelerating efforts to develop clean energy as a way to reduce CO<sub>2</sub> emissions.

### KEYMAN'S COMMITMENT

Seiki Yamanishi, Assistant to President and Alternative Energy Development Office of Duties Officer, The Representative Director and Senior Managing Director



Global warming is getting worse. All across the planet, people are calling for action to cut CO<sub>2</sub> emissions, which are suspected of being the main culprit behind the problem. The environment has thus become the buzzword of our era. The Alternative Energy Development Office has taken up the gauntlet by working to develop and foster the spread of clean forms of energy like dimethyl ether (DME), hydrogen stations, fuel cells for the home, and biomass. To start with we have, in partnership with Itochu Corporation and others, been engaged in an ongoing effort to develop DME fuel for vehicles. In June 2008, Mitsubishi Gas Chemical Company, Inc. is to commence production of DME at its Niigata plant, and Itochu Enex will cooperate actively on the marketing front. With bioethanol fuel coming into use around the globe, the Alternative Energy Development Office believes the time has come to further beef up efforts in this area as well. I recently visited Brazil, a leader in bioethanol technology, to see for myself the sugarcane fields from which the fuel is obtained and the facilities where it is produced. Itochu Enex will, while taking maximum advantage of its ties with the rest of the Itochu Group, make every effort to explore the commercial potential of bioethanol fuel as a means of reducing CO<sub>2</sub> emissions. Furthermore, we will accelerate work on clean energy technology as a sure source of business value in today's era of the environment. This we will do in partnership with other companies as well as government and academia, keeping in mind both global trends and Japan's own national energy strategy.



Yamanishi (right) with staff member Tanaka (left) in the sugarcane fields of Brazil

# Developing clean energy technologies for a more beautiful planet



## Hydrogen

### Verification testing on hydrogen stations

The age of hydrogen energy is just around the corner, and Itochu Enex has been helping usher it in. In partnership with Sinanen Co., Ltd. and Kurita Water Industries, Ltd., the company is taking part in a three-way verification project on hydrogen fuel cells being conducted at the JHFC Sagami-hara Hydrogen Station, which supplies fuel to fuel cell vehicles. By studying the most efficient way to supply hydrogen to homes and businesses, we are helping harness hydrogen energy to the needs of society.



The Sagami-hara Hydrogen Station (where hydrogen is produced by means of alkaline water electrolysis)

### Stationary fuel cells

The fuel cell is a clean energy source that besides cutting power costs is also eco-friendly. Since 2005, the Japanese government has been carrying out a large-scale verification project on this exciting new technology, to last until 2008, with the goal of bringing fuel cells into use in the home. Itochu Enex is among the project participants. It provides the field where fuel cells developed by a major wholesale distributor cooperating in the project are installed (FY 2005: 10 cells; FY 2006: 4 cells; FY 2007: 10 cells).



The Eneos Ecoboy (kerosene specifications 1 kW class fuel cell)

## Dimethyl ether (DME)

The supplement to oil closest to practical use



DME is a multi energy source with a host of possible applications in homes, automobiles, and factories. Plus it is easy on the environment, as it emits no particulate matter (PM). Itochu Enex is interested specifically in DME's potential as a fuel for vehicles, and it has been conducting research on how it can be adapted for use in trucks and other diesel vehicles as a substitute for diesel oil. Already, in partnership with the Japan Oil, Gas and Metals National Corporation, it has developed an eight-ton DME truck and a DME truck with crane. Efforts to get the technology on the road are thus rapidly picking up steam.



DME supply station in Niigata City



A DME truck, among the fruits of a project to develop the next generation of low-pollution vehicles



DME truck with crane, which Itochu Enex was involved in developing

## Biomass fuel

A sustainable, carbon-free energy source

Plant-derived and inactive fuels are seen as an effective tool in the fight against global warming, since they simply circulate the CO<sub>2</sub> already present on the planet without increasing the total amount of greenhouse gases. Moreover, biomass is available on a world scale, and different regions have different forms of it to exploit. Both in Japan and overseas, vast amounts of this potential energy remain untapped in such forms as wood chips, livestock waste, and sewage digestion gas. Itochu Enex is seeking ways to harness that potential. Bioethanol is garnering particular interest these days, and we now intend to put greater effort than ever into exploring its commercial potential. To that end we will be following developments in Brazil, a leader in the technology, as well as keep track of trends here at home in Japan.

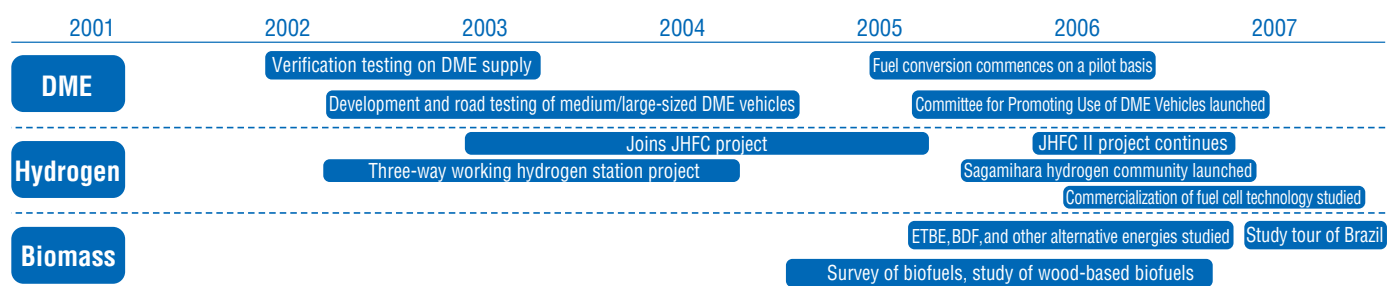


Sugarcane fields in the vastness of Brazil



Harvested sugarcane is used to produce bioethanol

## Timeline of Alternative Energy Development Office activities





# Business Results for Fiscal Year 2006

## The medium-term vision Creation 2008

In 2004, Itochu Enex adopted a five-year plan entitled “Creation 2008.” Our aim is to transform ourselves into a truly integrated energy company that supplies energy for all applications, whether as a key component of social infrastructure or as a means of enriching people’s lives.

### Overview of the medium-term vision Creation 2008

**Objective: To become an integrated energy company with three focuses: the energy field, the car, and the home**

**Period in force: Five years (April 2004-March 2009)**

**Slogans: Reform** (streamline organization and operations), **refine** (set numerical targets for reforms), **create** (establish a solid business platform)

## Putting the three slogans into action

### Reform

Overhaul corporate structure by streamlining organization and operations.

- Quantitative expansion attended by qualitative improvements
- Foster Group unity and cohesion
- Create new pillars of profit • Revamp operations, be uncompromising about risk management
- Strengthen compliance functions

### Create

Establish a solid business platform, open the way to new growth.

- **Industrial Material Division.**  
Launch an energy solutions business catering to ever more diverse customer needs.
- **Car Life Division**  
Steer the transition to “car life stations” that are the customer’s preferred choice, serving not only as a place for all their automobile needs, but also as an IT hub and a community response center.
- **Home Life Division**  
Offer an extensive selection of products meeting different household needs; strengthen our auto gas business.
- **New energy technologies**  
Pioneer new fields of industry like hydrogen energy, DME, and bioethanol.

### Refine

Ensure reforms are properly implemented by setting numerical targets.

#### Consolidated management targets for increasing productivity, and extent to which met

(unit : billions of Japanese yen)

	2008FY Target	2003FY	2004FY	2005FY	2006FY
Net sales	709	555.1	635.2	771.9	886.5
Operating income	10.6	4.3	6.8	6.8	7.9
Ordinary income	10.8	6.4	8.7	8.6	8.7
Net income	6	3.8	-4.1 <small>Due to special loss adding up of the subsidiary business withdrawal</small>	4.7	5
ROA (Total capital ordinary income rate)	4.7%	2.8%	3.8%	3.7%	3.7%
Net sales ordinary income rate	1.5%	1.2%	1.4%	1.1%	1.0%
Selling, general and administrative expenses (Rate to net sales)	62.2 (8.8%)	55.9 (10.1%)	54.9 (8.6%)	53.9 (7.0%)	54.9 (6.2%)
Personnel expenses (Rate to net sales)	17.3 (2.4%)	19 (3.4%)	19.3 (3.0%)	19.4 (2.5%)	19.9 (2.2%)
Gross assets	228	221	230.2	235.6	235.9

## While developing new areas of business, we are determined to meet the targets in the medium-term vision and achieve sustained growth.

### KEYMAN'S COMMITMENT

Hideo Miki, General Manager of General Planning Division, Chief Information Officer, Managing Director



Over the past three years, I can say with confidence that we have made steady progress toward achieving the targets set out in the medium-term vision Creation 2008. Under the clarion call of “reform,” the branch-company structure inherited from when Itochu Enex was founded back in 1961 was replaced by a system of business divisions. That was a truly radical change, and it has produced impressive results, since the consequent strengthening of head-office functions has streamlined and sped up business operations and made it plain where ultimate responsibility lies. Under the watchword of “refine,” the company is well on the way to accomplishing its numerical targets for increasing productivity. And under the rallying cry of “create,” Itochu Enex has, in rapid succession, unveiled a whole series of exciting ideas, products, and services, like the car life station business model, natural gas, and urea solution. By successfully keeping abreast of changing market needs, we are thus steadily winning recognition as a truly integrated energy supplier.

During the year a Group Strategy Department was set up, and this the General Planning Division will make full use of in putting the company’s growth strategy into action. That strategy includes optimizing operations at each Group affiliate, implementing M&As, and developing our industrial gas arm, which will be a new pillar of our business.

For an energy trading firm like Itochu Enex, sustaining growth is the ultimate yardstick of success. While boosting productivity across the Group as a whole, increasing sales volumes, and developing new areas of business, we are determined to preserve our ability to grow. That way we can accomplish the final targets set out in the medium-term vision Creation 2008 and open up new horizons for the years beyond.

## Analysis of business results for the consolidated fiscal year

### Net sales

Net sales for the consolidated fiscal year under review totaled 886.483 billion yen, up 114.589 billion yen from the previous fiscal year.

The gain can be attributed primarily to a surge in sales volumes and an increase in selling prices triggered by the rapid appreciation in the price of crude. In the petroleum distribution industry, the changing structure of domestic Japanese demand for gasoline became abundantly evident as consumption continued to decline; that decline was caused by the spread of fuel-efficient vehicles and curbed consumption in the face of rising prices. The LP gas distribution industry, meanwhile, faced harsh conditions due to the record warm winter weather.

As of the end of the consolidated fiscal year under review, the number of car life stations in the Group's network showed a net increase of 32 compared to the end of the preceding fiscal year, as 161 new stations opened and 129 existing ones were closed down because of unprofitability.

By volume, sales of all types of fuel oils except kerosene — which suffered the impact of the unseasonably mild winter — greatly exceeded those of the previous year despite lackluster domestic demand. This was thanks to an aggressive marketing campaign, as well as the acquisition of the petroleum division of Yanase Petroleum Sales Co., Ltd and other M&As. By type of fuel, sales of gasoline rose 9.5%, sales of diesel fuel rose 7.2%, and sales of fuel oil rose 6.7%, while sales of kerosene fell 0.5%. Sales of LP gas were, like those of kerosene, adversely affected by the warm winter weather; by volume, they declined 5.2%.

### Operating income

Operating income totaled 7.934 billion yen, up 1.109 billion yen from the previous consolidated fiscal year. The primary reason for the increase was that, although expenditures jumped due to M&As and other moves, revenues rose even more.

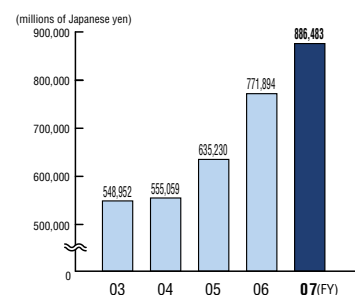
### Ordinary income

Ordinary income totaled 8.748 billion yen, up 171 million yen from the previous consolidated fiscal year. The increase can be ascribed to the fact that gains in operating income offset the losses for the year, which were: a 601 million decline in profits from equity-method investments owing to, among other factors, the removal of Sinanen Co., Ltd. from the list of consolidated equity-method affiliates; and a 249 million yen decline in profits from the sale of securities.

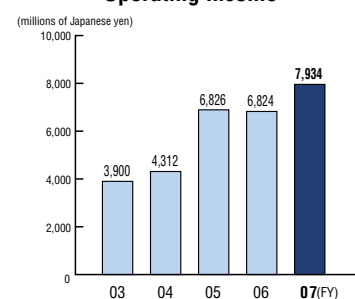
### Net income

Net income totaled 4.987 billion yen, up 325 million yen from the previous consolidated fiscal year. Among the reasons behind the net gain was a 699 million yen corporate tax deduction on deemed dividends claimed when stock of Sinanen Co., Ltd. was sold off. This was partially offset by several factors resulting in a 471 million yen decline compared to the previous year, including a special loss of 623 million yen on the sale of the Sinanen stock.

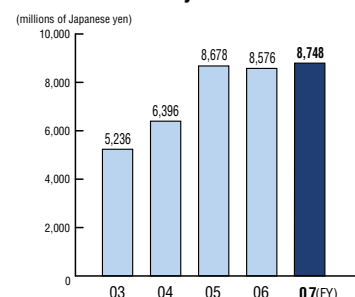
### Net sales



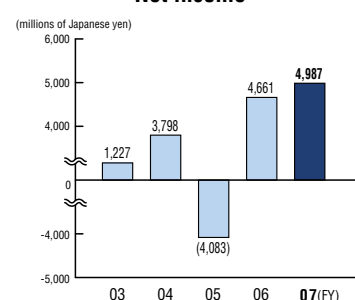
### Operating income



### Ordinary income



### Net income



## Analysis of financial conditions during the consolidated fiscal year

### Current assets

Current assets stood at 137.974 billion yen as of the end of the consolidated fiscal year under review, an increase of 6.937 billion yen compared to the end of the previous fiscal year. Most of the gain was accounted for by a 6.933 billion yen increase in cash and deposits; that was in turn the result of the fact that the last day of the fiscal year was a holiday, and of a decrease in the amount of funds needed for transactions.

### Fixed assets

Fixed assets stood at 97.875 billion yen as of the end of the consolidated fiscal year under review, a decrease of 6.707 billion yen compared to the end of the previous fiscal year. The breakdown is as follows. Investments and other assets declined by 9.182 billion yen and intangible fixed assets declined by 12 million yen; tangible fixed assets, on the other hand, increased by 2.487 billion yen.

Tangible fixed assets increased for several reasons. These include the opening of new car life stations and the renovation of existing ones, the overhaul of filling stations and other LP gas facilities in order to streamline distribution and beef up security, and the acquisition of business facilities as the result of M&As.

The decline in intangible fixed assets is primarily attributable to depreciation of such assets as the Group's ERP accounting system. On the other hand, the company engaged in several M&As, including the acquisition of the petroleum division of Yanase Petroleum Sales and the purchase of an LP gas retail operation.

Several reasons lay behind the decline in investments and other assets. These include an 8.421 billion yen decline in the value of investment securities due to, among other factors, the selling off of part of the Company's holdings of Sinanen stock, and the recovery of 1.101 billion yen in long-term loans receivable.

### Current liabilities

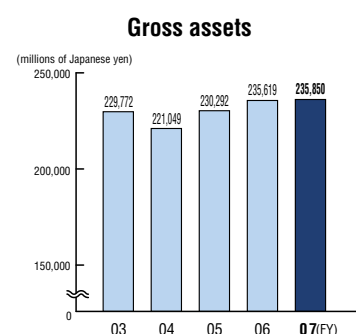
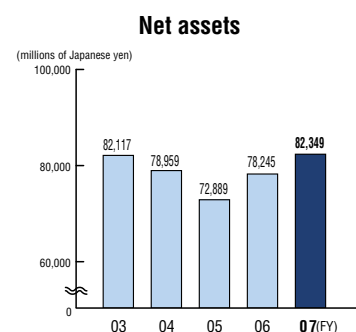
Current liabilities stood at 121.750 billion yen as of the end of the consolidated fiscal year under review, a decline of 1.644 billion yen compared to the end of the previous fiscal year. This was primarily due to repayment of 7.131 billion yen in short-term loans with funds from, among other sources, the sale of investment securities. That amount was partially offset by a 5 billion yen increase as bonds payable were transferred from long-term liabilities to current liabilities in accordance with the one-year rule.

### Long-term liabilities

Long-term liabilities stood at 31.750 billion yen as of the end of the consolidated fiscal year under review, a decline of 1.465 billion yen compared to the end of the previous fiscal year. This was primarily due to the transfer of 5 billion yen worth of bonds payable from long-term liabilities to current liabilities in accordance with the one-year rule. That amount was partially offset by a 2.469 billion yen increase in long-term debt to fund an increase in plant and equipment spending and pay for the purchase of goodwill, as well as a 512 million yen increase in the reserve for retirement benefits.

### Net assets

Net assets stood at 82.349 billion yen as of the end of the consolidated fiscal year under review, an increase of 3.341 billion yen compared to the end of the previous fiscal year. Here is a partial breakdown. Retained earnings climbed 2.384 billion yen; there was a 666 million yen increase in net assets due to a reduction in treasury stock; and the capital surplus rose by 222 million yen. The increase in retained earnings was due chiefly to the posting of net income for the year of 4.987 billion yen, a gain of 325 million yen from the previous consolidated fiscal year. This was partially offset by a decline of 1.453 billion yen owing to dividend payments and other expenses, and a further 975 million yen decline due to the removal of Sinanen from the list of affiliates covered by the equity method. The decrease in treasury stock was accounted for mainly by a 474 million yen decline due to sale of stock as a result of a tie-up with Mitsuuroko Co., Ltd., and a further 126 million yen decline resulting from the fact that Itochu Enex shares in Sinanen's possession ceased to count as treasury stock. The increase in capital surplus was attributable to several factors, among them a marginal profit of 218 million yen from the sale of treasury stock to Mitsuuroko.



## Overview of cash flow

Cash and cash equivalents (hereafter “funds”) stood at 33.297 billion yen as of the end of the consolidated fiscal year under review, an increase of 6.933 billion yen compared to the end of the previous fiscal year.

The details are as follows: 14.13 billion yen was generated from operating activities, and of that amount 2.141 billion yen was channeled into investment activities and 5.525 billion yen into financial activities.

Operating activities resulted in a 14.13 billion yen increase in funds. This was due to the fact that factors leading to an increase in funds, such as net profit for the year before taxes and other adjustments (7.567 billion yen) and depreciation expenses not entailing funding, ultimately outweighed factors leading to a decrease, such as corporate tax payments. A further, one-time factor also contributed to the increase: the last day of the fiscal year happened to be a holiday, for which reason payment of diesel oil delivery tax and the like was put off until the new fiscal year.

Investment activities resulted in a 2.141 billion yen decline in funds. This was due to the fact that factors leading to a decrease in funds, such as investment in strengthening business facilities and acquiring goodwill, outweighed factors leading to an increase, such as the 5.468 billion yen that came in from sale of affiliated company stock.

Financial activities resulted in a 5.525 billion yen decline in funds. This was due to repayment of interest-bearing debt and payment of dividends.

### Cash flow indicators

Fiscal year ended	Mar. 2003	Mar. 2004	Mar. 2005	Mar. 2006	Mar. 2007
Equity-to-asset ratio	35.7%	35.7%	31.7%	33.2%	34.6%
Equity-to-asset ratio at market value	19.2%	23.4%	29.9%	31.8%	34.7%
Years to redeem debt	*32.1Years	2.9Years	2.8Years	7.4Years	3.0Years
Interest coverage ratio	2.2	20.7	24.2	9.3	19.3

Notes: 1. Equity-to-asset ratio: equity/total assets

Equity-to-asset ratio at market value: total market value of listed shares/total assets

Years to redeem debt: interest-bearing debt/operating cash flow

Interest coverage ratio: operating cash flow/interest paid

2. Indicators are all given on a consolidated basis.

3. Total market value of listed shares is calculated as follows: the closing price of company shares on the Tokyo Stock

Exchange as of the last day of the fiscal year (or, if that day is a holiday, the last day of business of the year) is multiplied by the number of shares issued as of year's end, excluding treasury stock.

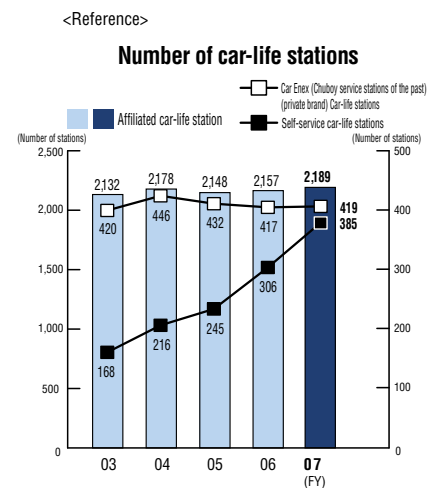
4. Operating cash flow represents total cash flow from operating activities as recorded on the consolidated statement of cash flow. Interest-bearing debt represents the total value of loans, commercial paper, and bonds payable recorded on the consolidated balance sheet.

\*The sudden jump in number of years to redeem debt observed in the year ended March 2003 was due to a top-up of the employees' pension fund to cover past service liabilities.

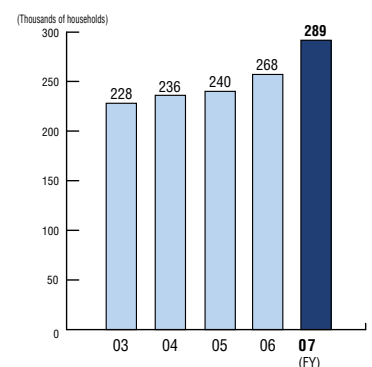
### Current management strategy and how it is being overhauled

In March 2004, the Itochu Enx Group unveiled the medium-term vision Creation 2008. This outlines the business directions and organizational structures that the Group will adopt in order to maintain its earning power and growth potential into the future while adapting to the changing business climate. Revolving around the three slogans of “reform,” “refine,” and “create,” the vision sets the goal of transforming Itochu Enx into an integrated energy company capable of offering products and services tailored to consumers' lifestyle needs in three core areas: energy, automobiles, and the home.

In the quest for greater management efficiency, the Group has adopted consolidated return on assets (ROA), an indicator of asset efficiency, as one yardstick of management performance. Our goal is to achieve an ROA of 4.7% by the year ended March 31, 2009. Utilized effectively, this indicator will enable us to streamline operations by overhauling unprofitable areas of business and amalgamating affiliates. We can thus achieve further gains in asset efficiency and make steady progress toward the consolidated performance targets set in the medium-term vision Creation 2008.



### Number of households using LP gas



# Financial Data

## Change such as main management indexes (Consolidated base)

Years ended March 31	2003	2004	2005	2006	2007
Net sales (millions of Japanese yen)	548,952	555,059	635,230	771,894	886,483
Ordinary income (millions of Japanese yen)	5,236	6,396	8,678	8,576	8,748
Net income (loss) (millions of Japanese yen)	1,227	3,798	(4,083)	4,661	4,987
Net assets (millions of Japanese yen)	82,117	78,959	72,889	78,245	82,349
Total assets (millions of Japanese yen)	229,772	221,049	230,292	235,619	235,850
Net assets per share (Japanese yen)	887.25	867.06	808.10	864.11	889.52
Net income (loss) per share (Japanese yen)	12.50	40.07	(46.56)	49.70	55.04
Net income per share after potentiality stocks adjustment (Japanese yen)	12.50	40.06	—	49.64	55.03
Shareholders' equity ratio (%)	35.74	35.72	31.65	33.21	34.60
Return on equities (ROE) (%)	1.47	4.72	(5.38)	6.17	6.24
Price earning ratio (PER) (times)	37.91	14.22	—	16.70	16.21
Cash flows by operating activities (millions of Japanese yen)	2,040	18,024	16,326	6,304	14,130
Cash flows by investing activities (millions of Japanese yen)	(2,608)	(6,242)	(7,596)	(8,652)	(2,141)
Cash flows by financing activities (millions of Japanese yen)	(1,157)	(14,242)	(11,133)	511	(5,525)
Cash and cash equivalent, end of year (millions of Japanese yen)	32,735	30,242	28,031	26,364	33,297
Number of employees [ Others, number of the average temporary employees ] (person)	4,424 [1,526]	4,375 [1,599]	4,280 [1,492]	2,532 [840]	2,852 [943]

Notes: 1. Figures for net sales are shown excluding consumption taxes (which here and below means consumption tax and local consumption tax).

2. Number of employees excludes personnel seconded by the Group but includes personnel seconded to it.

3. Diluted net income per share is not given for the year ended March 31, 2005, since although residual securities existed, net income per share was negative.

4. For the year ended March 31, 2007, the Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan Statement No. 5, December 9, 2005) and Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan Guidance No. 8, December 9, 2005) have been applied.



## Consolidated Financial Statements

### Consolidated Balance Sheets

(Unit : millions of Japanese yen)

(millions of U.S.Dollars)

As of March 31, 2006 and 2007	2006	2007	2007
<b>Assets</b>			
Current assets			
Cash and deposits	26,364	33,297	282
Notes and accounts receivable - trade	89,562	89,201	755
Inventories	7,725	7,762	66
Deferred tax assets	1,966	1,956	17
Other	6,123	6,564	56
Allowance for doubtful receivables	(705)	(806)	(7)
Total current assets	131,036	137,974	1,168
Fixed assets			
Tangible fixed assets			
Building and structures	18,382	19,145	162
Machinery and equipment	6,903	7,783	66
Land	32,387	32,728	277
Buildings in process	440	733	6
Other	1,205	1,416	12
Total tangible assets	59,320	61,807	523
Intangible fixed assets			
Goodwill	4,430	4,671	40
Other	3,229	2,976	25
Total intangible fixed assets	7,660	7,647	65
Investments and other assets			
Investment securities	25,867	17,445	148
Long -term loans	3,607	2,505	21
Deferred tax assets	730	1,043	9
Other	8,790	8,678	73
Allowance for doubtful receivables	(1,392)	(1,252)	(11)
Total investments and otherassets	37,602	28,420	241
Total Fixed assets	104,583	97,875	829
Total assets	235,619	235,850	1,997

The mention amount of money cut off under millions yen

(Unit : millions of Japanese yen)

(millions of U.S.Dollars)

	2006	2007	2007
<b>Liabilities</b>			
<b>Current liabilities</b>			
Notes and accounts payable - trade	78,354	79,533	673
Short-term borrowings	28,172	21,041	178
Current portion of bonds payable	—	5,000	—
Income taxes payable	2,289	1,672	14
Bonus reserve fund	—	2,337	20
Directors' bonus reserve fund	—	181	2
Other current liabilities	14,578	11,984	101
Total current liabilities	123,395	121,750	1,031
<b>Long-term liabilities</b>			
Bonds payable	5,000	—	—
Long-term debt	14,005	16,475	140
Deferred tax liabilities	1,147	966	8
Deferred tax liabilities on revaluation reserve for land	3,320	3,295	28
Allowance for retirement benefits	3,280	3,792	32
Accrued directors' retirement benefits	523	656	6
Other long-term liabilities	5,939	6,564	56
Total long-term liabilities	33,216	31,750	269
Total liabilities	156,611	153,501	1,300
Minority interests	762	—	—
<b>Shareholders' equity</b>			
Common stock	19,877	—	—
Capital surplus	17,560	—	—
Retained earnings	50,757	—	—
Unrealized loss on land revaluation	(8,880)	—	—
Unrealized gain on available-for-sale securities	2,181	—	—
Treasury stock, at cost	(3,251)	—	—
Total shareholders' equity	78,245	—	—
Total liabilities, minority interests, and Shareholders' equity	235,619	—	—
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Common stock	—	19,877	168
Capital surplus	—	17,782	151
Retained earnings	—	53,141	450
Treasury stock, at cost	—	(2,584)	(22)
Total shareholders' equity	—	88,217	747
<b>Balance of evaluation and conversion</b>			
Unrealized gain on available-for-sale securities	—	2,245	19
Unrealized loss on land revaluation	—	(8,868)	(75)
Total balance of evaluation and conversion	—	(6,623)	(56)
Minority interests	—	755	6
Total net assets	—	82,349	697
Total liabilities and total net assets	—	235,850	1,997

The mention amount of money cut off under millions yen

As of March 31, 2006 and 2007

## Consolidated Statements of Income

(Unit : millions of Japanese yen)

(millions of U.S.Dollars)

Years ended March 31, 2006 and 2007	2006	2007	2007
Net sales	771,894	886,483	7,507
Cost of sales	711,193	823,668	6,975
Gross profit	60,701	62,815	532
<b>Selling , general and administrative expenses</b>	53,876	54,880	465
Operating income	6,824	7,934	67
<b>Non-operating income</b>			
Interest income	465	658	6
Dividends received	216	150	1
Gain on sale of investment securities	119	—	—
Equity in earning of associated companies	889	288	2
Other non-operating income	1,002	989	8
Total non-operating income	2,695	2,087	18
<b>Non-operating expenses</b>			
Interest paid	676	766	6
Loss on sale of investment securities	—	129	—
Other non-operating expenses	268	378	3
Total non-operating expenses	944	1,274	11
Ordinary income	8,576	8,748	74
<b>Extraordinary profits</b>			
Gain on sale of fixed assets	57	132	1
Gain on sale of investment securities	371	33	0
Gain on sale of investments in affiliates	105	—	—
Gain on reversal of allowance for receivables	—	13	0
Total extraordinary profits	533	179	2
<b>Extraordinary losses</b>			
Loss on sale and disposal of fixed assets	848	567	5
Loss on sale of investment securities	—	33	0
Loss on sale of investments in affiliates	—	623	5
Loss on valuation of investment securities	128	—	—
Loss on reorganizing businesses	145	75	1
Impairment losses	120	60	1
Total extraordinary losses	1,242	1,360	12
<b>Income before income taxes</b>	7,867	7,567	64
Income taxes	3,544	3,060	26
Income taxes adjustment	(408)	(556)	(5)
Minority interest	70	75	1
<b>Net income</b>	4,661	4,987	42

The mention amount of money cut off under millions yen

## Consolidated Statements of Changes in Equity

(Unit : millions of Japanese yen)

Years ended March 31, 2007	Shareholders' equity					Balance of evaluation and conversion			Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' equity	Unrealized gain on available-for-sale securities	Unrealized loss on land revaluation	Total balance of evaluation and conversion		
Balance at March 31, 2006	19,877	17,560	50,757	(3,251)	84,943	2,181	(8,880)	(6,698)	762	79,007
<b>The amount of change in the consolidated fiscal year</b>			(726)		(726)			—		(726)
Cash dividends (foot note)			(726)		(726)			—		(726)
Cash dividends			(726)		(726)			—		(726)
Directors' bonuses (foot note)			(161)		(161)			—		(161)
Net income			4,987		4,987			—		4,987
Purchase of treasury stock				(2)	(2)			—		(2)
Disposal of treasury stock		222		542	764			—		764
Reduction in unrealized loss on land revaluation			(11)		(11)		11	11		—
Decrease by equity method exclusion			(975)	126	(849)			—		(849)
The amount of change in the consolidated fiscal year except for shareholders' equity (net)					—	63		63	(6)	56
The total amount of change in the consolidated fiscal year	—	222	2,384	666	3,273	63	11	74	(6)	3,341
Balance at March 31, 2007	19,877	17,782	53,141	(2,584)	88,217	2,245	(8,868)	(6,623)	755	82,349

It is a profit disposal item in the ordinary general meeting of shareholders' of June 22, 2006

The mention amount of money cut off under millions yen

(millions of U.S.Dollars)

Years ended March 31, 2007	Shareholders' equity					Balance of evaluation and conversion			Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' equity	Unrealized gain on available-for-sale securities	Unrealized loss on land revaluation	Total balance of evaluation and conversion		
Balance at March 31, 2006	168	149	430	(28)	719	18	(75)	(57)	6	669
<b>The amount of change in the consolidated fiscal year</b>			(6)		(6)			—		(6)
Cash dividends (foot note)			(6)		(6)			—		(6)
Cash dividends			(6)		(6)			—		(6)
Directors' bonuses (foot note)			(1)		(1)			—		(1)
Net income			42		42			—		42
Purchase of treasury stock				(0)	(0)			—		(0)
Disposal of treasury stock		2		5	6			—		6
Reduction in unrealized loss on land revaluation			(0)		(0)		0	0		—
Decrease by equity method exclusion			(8)	1	(7)			—		(7)
The amount of change in the consolidated fiscal year except for shareholders' equity (net)					—	1		1	(0)	0
The total amount of change in the consolidated fiscal year	—	2	20	6	28	1	0	1	(0)	28
Balance at March 31, 2007	168	151	450	(22)	747	19	(75)	(56)	6	697

It is a profit disposal item in the ordinary general meeting of shareholders' of June 22, 2006

## Consolidated Statements of Shareholders' Equity

(Unit : millions of Japanese yen) (millions of U.S.Dollars)

Years ended March 31, 2006	2006	2006
<b>Capital surplus</b>		
Capital surplus at beginning of term	17,544	149
Increase in capital surplus	15	0
Capital surplus at end of term	17,560	149
<b>Retained earnings</b>		
Retained earning at beginning term	47,788	405
Increase in retained earning	4,661	39
Net income	4,661	39
Reduction in retained earnings	1,692	14
Cash dividend	1,268	11
Director's bonuses	117	1
Reduction in unrealized loss on land revaluation	306	3
Retained earnings at end of term	50,757	430

The mention amount of money cut off under millions yen

Consolidated Statements of Cash Flows

(Unit : millions of Japanese yen)

(millions of U.S.Dollars)

Years ended March 31, 2006 and 2007	2006	2007	2007
<b>Operating activities</b>			
Income before income taxes	7,867	7,567	64
Depreciation and amortization	5,379	4,669	40
Impairment losses	120	60	1
Amortization of negative goodwill	93	—	—
Amortization of goodwill	—	1,601	14
Decrease in allowance for doubtful receivables	(55)	(40)	(0)
Increase in accrued retirement benefits	542	508	4
Interest income and dividend income	(682)	(808)	(7)
Interest paid	676	766	6
Equity in earning of associated companies	(889)	(288)	(2)
Sale and disposal of tangible fixed assets	686	—	—
Loss on valuation of investment securities	128	—	—
Loss on reorganizing businesses	145	75	1
Transfer to net cash used in investing activities	(491)	1,188	10
Decrease (increase) in trade receivable	(18,073)	427	4
Decrease (increase) in inventories	(2,512)	6	0
Increase in trade payable	15,425	1,020	9
Increase in other assets	(1,382)	(275)	(2)
Increase in other liabilities	3,235	1,573	13
Bonuses to directors	(122)	(166)	(1)
Receipt of interest and dividends	637	697	6
Payment of interest	(678)	(732)	(6)
Payment of income taxes	(3,618)	(3,719)	(31)
Others	(125)	—	—
<b>Net cash provided by operating activities</b>	<b>6,304</b>	<b>14,130</b>	<b>120</b>

The mention amount of money cut off under millions yen

(Unit : millions of Japanese yen)

(millions of U.S.Dollars)

Years ended March 31, 2006 and 2007	2006	2007	2007
<b>Investing activities</b>			
Payments for purchases of marketable securities	(3,426)	—	—
Proceeds from sales of marketable securities	3,546	—	—
Payments for purchases tangible fixed assets	(6,466)	(6,802)	(58)
Proceeds from sales of tangible fixed assets	931	264	2
Payments for purchases of intangible fixed assets	(4,242)	(2,134)	(18)
Proceeds from sales of intangible fixed assets	229	139	1
Payments for purchases of investment securities	(5,293)	(11,326)	(96)
Proceeds from sales of investment securities	5,884	11,742	99
Payments for purchases of common stocks of associated companies	(231)	—	—
Proceeds from sales of common stocks of associated companies	235	—	—
Proceeds from sales of common stocks of associated companies with the change of the range of equity method application	—	5,468	46
Proceeds from acquisitions of common stocks of subsidiaries with the change of the range of consolidation application	7	—	—
Payments of acquisitions of common stocks of subsidiaries with the change of the range of consolidation application	—	(66)	(1)
Payments of sales of common stocks of subsidiaries with the change of the range of consolidation application	(2,256)	—	—
Increase(decrease) in long-term loans, net	(2,183)	(3,637)	(31)
Proceeds from collection of long-term loans	4,413	4,494	38
Other	198	(284)	(2)
Net cash used in investing activities	(8,652)	(2,141)	(18)
<b>Financing activities</b>			
Increase(decrease) in short-term borrowings	3,274	(6,861)	(58)
Proceeds in long-term debt	7,404	7,750	66
increase (decrease) in repayment of long-term debt, net	(4,025)	(5,702)	(48)
Repayment of bonds payable	(5,000)	—	—
Proceeds from sale of treasury stock	318	764	6
Payments for purchase of treasury stock	(169)	(2)	(0)
Dividends payment	(1,268)	(1,453)	(12)
Dividends payment to minority interests	(22)	(20)	(0)
Net cash used in financing activities	511	(5,525)	(47)
<b>Net decrease in cash and cash equivalents</b>	<b>(1,835)</b>	<b>6,463</b>	<b>55</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>28,031</b>	<b>26,364</b>	<b>223</b>
<b>Increase in cash and cash equivalents resulting from merger of consolidated subsidiaries</b>	<b>168</b>	<b>469</b>	<b>4</b>
<b>Cash and cash equivalents at end of year</b>	<b>26,364</b>	<b>33,297</b>	<b>282</b>

The mention amount of money cut off under millions yen



## Basic policy on profit sharing, and dividends actually paid

As a matter of basic policy Itochu Enx is committed to providing steady dividends to shareholders, to which end it constantly adapts to the changing business environment and takes steps to strengthen its revenue platform. In line with that policy we have maintained the practice of paying a dividend per share of 16 yen (8 yen of which takes the form of a midterm dividend)

As for internal reserves, these are channeled into plant and equipment investment in order to strengthen our business platform and further increase the size of our profits.

## Outlook for the coming fiscal year

Oil prices, having taken a brief dip, are again climbing, and they seem likely to remain at high levels during the coming fiscal year. In the Industrial Material business, therefore, a decline in petroleum sales can be expected as users switch to other fuels. To pick up the slack, we will concentrate on expanding dealings with energy consumers and boosting sales of fuel for company vehicles, all in an effort to secure a steady revenue stream.

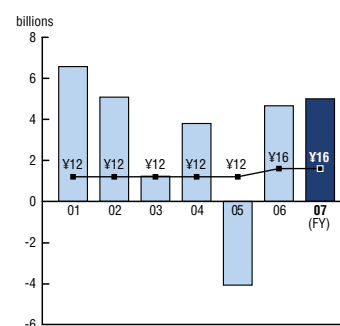
In the Car Life business, we will continue to open new large-sized car life stations and take steps to transform them into disaster response centers that serve the needs of local communities. That will result in improved customer service while raising the profile of this new retail format. In addition, we will aggressively implement M&As in order to further boost volume of sales. In the automobile services sector, we will further expand the Super Car Collection both within our network of affiliated stations and beyond. The Super Car Collection is more than just a way to buy and sell cars; it also provides support with light bodywork and vehicle inspection services. To help dealers create car life stations that customers choose to come back to, Itochu Enx will pursue a three-pronged strategy: reducing costs, increasing the absolute number of customers who use the stations, and boosting revenues from the Car Life business.

In the Home Life business, we face uncertainties with respect to import prices of LP gas and end market conditions. Nonetheless, by aggressively implementing M&As, we intend to expand our base of business and boost our revenue-generating capacity. Through our Kurashi-no-Mori service, which caters to households that use LP gas, we will be offering a home renovation service in partnership with Asclass LSA Inc., as well as implement a credit card strategy (the Kurashi-no-Mori Asclass Card). We will also expand into the field of nutritional education by organizing cooking classes and the like. These are among the ways we plan to live up to our customers' expectations in the way we do business. Furthermore, in an effort to encourage people to drive eco-friendly LP gas-fueled vehicles, we will continue to promote sales of the Grandeur LPI, an LP gas vehicle made by Hyundai which we started selling during the 2006 fiscal year.

Here are the forecast consolidated results for the year to end March 31, 2008: net sales of 980 billion yen (up 10.5% over the previous year), operating income of 10.2 billion yen (up 28.5% over the previous year), ordinary income of 10.6 billion yen (up 21.2% over the previous year), and net income of 5.2 billion yen (up 4.3% over the previous year).

Note: The above forecasts may, due to a variety of emerging factors, differ slightly from actual results.

Consolidated net income and dividend per share



# Corporate Profile

## Corporate Profile

- **Company Name**  
ITOCHU ENEX CO.,LTD.
- **Head Office Address**  
1-24-12, Meguro, Meguro-ku, Tokyo 153-8655, Japan
- **Established**  
January 28, 1961
- **Common Stock**  
Japanese yen 19.87767 billions
- **Business Divisions**  
Industrial Material Division, Car-Life Division  
Home-Life Division
- **Principa Locations**  
Marketing Offices : Hokkaido, Tohoku, Kanto,  
Higashinohon, Chubu, Kansai, Chu-Shikoku, Kyushu  
Note : In addition, there are 19 outlets under the control of these offices.
- **ITOCHU ENEX Group**  
Consolidated subsidiaries : 21  
Non-consolidated subsidiaries  
(covered by the equity method) : 25  
Affiliates (covered by the equity method) : 27  
as of March 31, 2007
- **Number of Employees**  
628(simple substance base) (including 202 of  
secondment to subsidiaries)  
2,852(consolidated base)  
as of March 31, 2007
- **The listed stock exchange**  
Tokyo ( 1st Section) Stock name : ENEX  
Stock code 8133
- **Main banks**  
The Sumitomo Trust & Banking Co., Ltd.  
Sumitomo Mitsui Banking Corporation  
Resona Bank  
Mizuho Corporate Bank

## Description of Our Business

■ **Industrial Material Division**  
The Industrial Material Division is your industrial energy expert. It sells primary energy like oil, LP gas, and coal, secondary energy like electricity and heat, and industrial materials like asphalt and cement to 2,500 companies in 3,500 locations throughout Japan, including manufacturing plants, trucking firms, and shipping companies. It also caters to today's growing energy-saving, eco-compliance, and cost-cutting needs by designing and supplying various energy solutions. These include urea solution, groundwater filtration systems, and cogeneration systems.

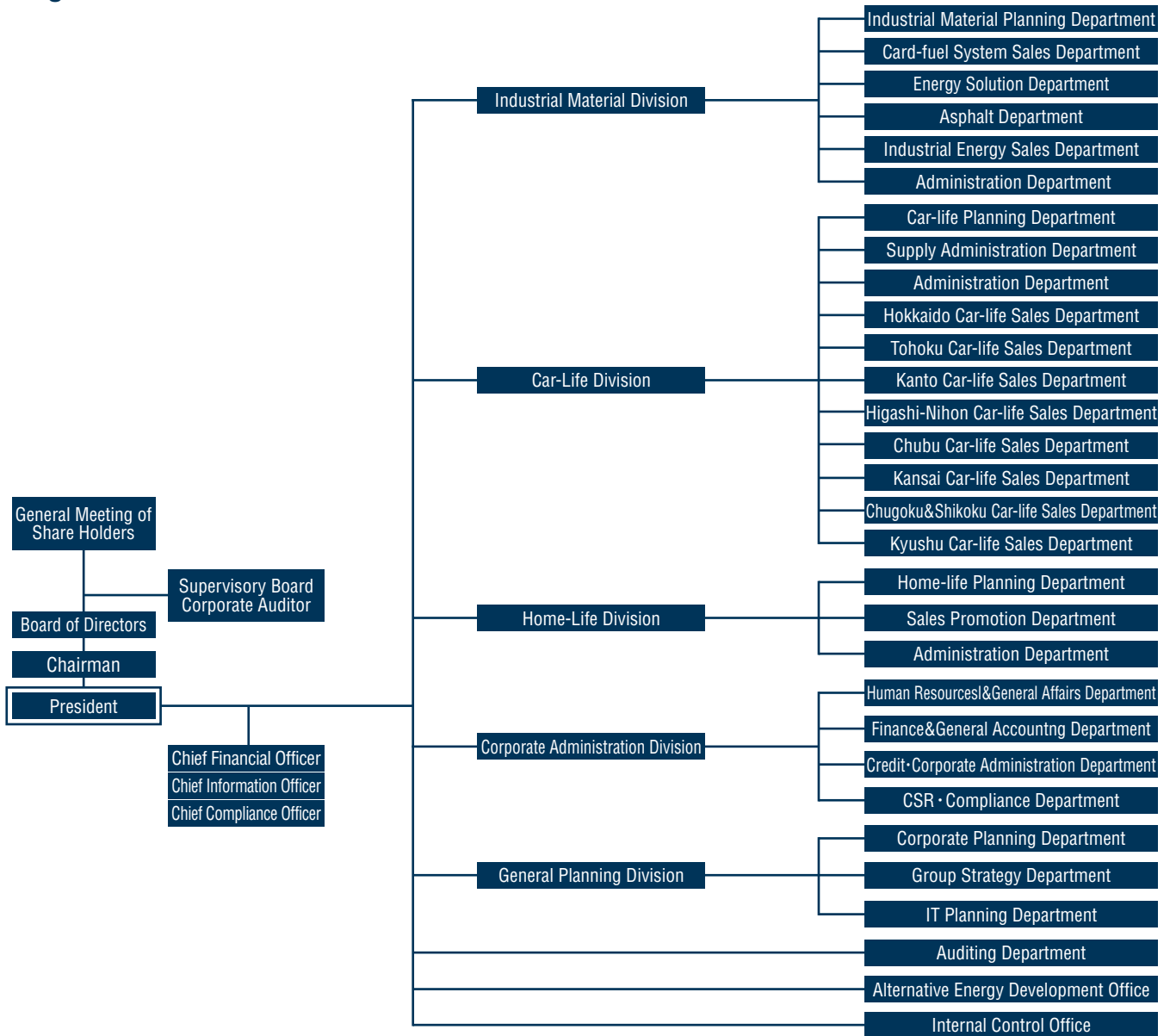
■ **Car Life Division**  
Itochu Enex is Japan's largest energy wholesaler with a trading firm background, directly selling gasoline and kerosene to some 2,200 service stations. The Car Life Division does much more than just sell gasoline, kerosene, and oil; in line with Itochu Enex's vision of replacing the traditional service station with something truly comprehensive — the car life station — it offers a complete range of services for drivers, from sale and purchase of automobiles to inspection and auto service, car washing, light bodywork, automotive parts, and car insurance.

■ **Home Life Division**  
The Home Life Division supplies LP gas to 1.35 million households and companies via a network of seven regional sales companies and 1,700 retail outlets. Taking advantage of the direct contact made possible by the regular household visits personnel make to carry out safety inspections and such, it conducts an ongoing campaign to boost awareness of the advantages of gas. And through its Kurashi-no-Mori service, advertised via an information magazine and Internet website, it offers products and services for the kitchen, bathroom, and home in general. In addition it runs a nationwide network of 129 auto gas stations, which supply LP gas to taxis and other vehicles.

- **Directors and Officers**  
Director and Chairman  
**Kiyomi Yamada**  
The Representative Director and President  
**Akira Kodera**  
The Representative Director and Senior Managing Director  
**Seiki Yamanishi**  
Assistant to President and Alternative Energy Development Office of Duties Officer  
The Representative Director and Managing Director  
**Hiroshi Arai**  
General Manager of Industrial Material Division  
Managing Director  
**Shuji Arimitsu**  
General Manager of Corporate Administration Division & Chief Financial Officer  
Managing Director  
**Hideo Miki**  
General Manager of General Planning Division & Chief Information Officer  
Managing Director  
**Shunichi Honkado**  
General Manager of Home-Life Division  
Director  
**Koji Takayanagi**  
Itochu Corporation Executive Officer and Executive Vice-President of Energy, Metals & Minerals Company and General Manager of Energy Trade Division  
Standing Corporate Auditors  
**Tetsuo Mori**  
**Shozo Nozoe**  
**Noriaki Nishioka**  
Corporate Auditor  
**Shuichi Nanba**  
Lawyer of Momoo, Matsuo & Nanba Legal Office  
Managing Director  
**Akira Doi**  
General Manager of Car-Life Division  
Managing Director  
**Mamoru Kashiwaguchi**  
Assistant General Manager of Car-life Division  
Hokkaido, Tohoku, Kanto and Higashi-Nihon areas charge  
Managing Director  
**Masamoto Uehara**  
Assistant General Manager of Corporate Administration Division and General Manager of Human Resources & General Affairs Department  
Chief Compliance Officer  
Executive Officer  
**Kenji Moriya**  
Assistant General Manager of Home-Life Division and General Manager of Home-Life Planning Department  
Executive Officer  
**Michio Nanba**  
Assistant General Manager of Car-Life Division  
Chubu and Kansai area charge  
Executive Officer  
**Masaru Takahashi**  
Assistant General Manager of Industrial Material Division and General Manager of Industrial Material Planning Department  
Executive Officer  
**Takao Hagiwara**  
Assistant General Manager of Car-Life Division  
Chu-Shikoku and Kyushu areas charge  
Executive Officer  
**Akio Nakayama**  
President of Itochu Enex Home-Life Kanto Co., Ltd.  
Executive Officer  
**Masahiro Kono**  
General Manager of Credit Corporate Administration Department  
Executive Officer  
**Naohide Hata**  
General Manager of Supply Administration Department  
Executive Officer  
**Tatsunosuke Nagao**  
General Manager of Asphalt Department  
Executive Officer  
**Tetsumi Hiraoka**  
General Manager of Industrial Energy Sales Department

As of June 22nd, 2007

## Organization Chart



As of June 22nd, 2007

### Branch

#### ■ Car-Life Division

Hokkaido Sales Branch  
 Kita-Tohoku Sales Branch  
 Minami-Tohoku Sales Branch  
 Kita-Kanto Sales Branch  
 Kan-etsu Sales Branch  
 Nagano Sales Branch  
 Higashi-Kanto Sales Branch  
 Tokyo Sales Branch  
 Shizuoka Sales Branch

Tokai Sales Branch  
 Hokuriku Sales Branch  
 Kinki Sales Branch  
 Nishi-Chugoku Sales Branch  
 Higashi-Chugoku Sales Branch  
 Shikoku Sales Branch  
 Kyushu Sales Branch  
 Nishi Kyushu Sales Branch  
 Minami-Kyushu Sales Branch

#### ■ Home-Life Division

Nakatsu Gas Sales Branch

### Asphalt Terminal, Oil Terminal

Kushiro Asphalt Terminal  
 Sakurajima-Futo Asphalt Terminal  
 Sakurajima Oil Terminal  
 Fukuoka Oil terminal  
 Nagasaki Gas & Oil Terminal  
 Sasebo Asphalt Terminal  
 Sendai Asphalt Terminal  
 Kajiki Asphalt Terminal

### Training Center

Itochu Enex Central Training Center

## Company Timeline

1961	Jan.	The company is founded with capital of 60 million yen when Itochu Sekiyu K.K., a subsidiary of Itochu Corporation, is split up (Itochu Sekiyu K.K. was originally founded in Jan. 1949 as Nishinihon Beiyu K.K., changing its name in Apr. 1951). Its purpose: to sell the products produced at the new refinery built at Mizushima by Itochu Corporation in alliance with longstanding business partner Nippon Mining Co., Ltd. (This marks Itochu's entry into the petroleum sector.)	1999	Mar.	The company acquires additional stock of Itochu Petroleum Sales Co., Ltd. (today a consolidated subsidiary) and becomes the largest shareholder.
1965	May	The company acquires the stock of Oita Kyuseki Hanbai Co., Ltd. (today a consolidated subsidiary).	2000	Apr.	It buys out Seibu Petroleum Corporation and established the Tokyo Seibu branch office.
1970	Mar.	It acquires the stock of Unoshima Sansuiso K.K. (today consolidated subsidiary Itochu Industrial Gas Co., Ltd.).		Oct.	A court declares the completion of reorganization proceedings at Tokai Corporation.
1971	Apr.	It boosts its capital to 1 billion yen.	2001	Mar.	The company takes over gas supply service in Nakatsu City, Oita Prefecture, with the goal of breaking into the city gas market.
1977	Apr.	In order to change the par value of its stock, it merges with Itochu Fuel Corporation, headquartered at 2-36 Tsurigane-cho, Higashi-ku, Osaka.		Jul.	The company changes its name from Itochu Fuel Corporation to Itochu Enex Co., Ltd. Its 18 consolidated subsidiaries are renamed at the same time.
1978	Feb.	It is listed on the 2nd section of the Osaka Securities Exchange and the Tokyo Stock Exchange.		Nov.	The company sells off the stock of CicoMart Co., Ltd.
1979.	Sep.	It is promoted to the 1st section of the Osaka Securities Exchange and the Tokyo Stock Exchange.	2002	Feb.	It acquires additional stock of Sinanen Co., Ltd. (today an affiliate covered by the equity method) and becomes the largest shareholder.
1983	Jun.	Head Office moves from Osaka to Tokyo.	2003	Oct.	It delists itself from the Osaka Securities Exchange.
1990	May	The company's high-pressure gas arm is spun off to form Itochu High-Pressure Gas Co., Ltd. (today Itochu Industrial Gas Co., Ltd.).	2004	Apr.	It scraps the existing branch-office system in favor of a system of organization around business divisions.
	Jul.	The company takes over the goodwill of Itochu Oil Co., Ltd., the internal oil sales subsidiary of Itochu Corporation.	2005	May	Takigawa Enex Co., Ltd. (today a consolidated subsidiary) takes over the business of Takigawa Industries Co., Ltd. and commences operations.
1996	Feb.	Headquarters move to 24-12 Meguro 1-chome, Meguro-ku, Tokyo.		Jul.	The company acquires the stock of Kokura Enterprise Vehicle Service Co., Ltd. (today consolidated subsidiary Kokura Enterprise Energy Co., Ltd.).
1997	Oct.	The company acquires the stock of Tokai Corporation, which is in the process of being reorganized.		Sep.	It sells off the stock of Tokai Corporation.
	Dec.	It acquires the stock of Seibu Petroleum Corporation.		Oct.	Kokura Enterprise Energy Co., Ltd. takes over the business of Kokura Enterprise Co., Ltd. and commences operations.
1998	Apr.	The company's CicoMart arm is spun off to form CicoMart Co., Ltd.		Oct.	The Itochu Enex Group adopts a single unified logo, the Enex Mark.
1998	Sep.	Itochu Fine Gas Co., Ltd. buys out Itochu High-Pressure Gas Co., Ltd. and is renamed Itochu Industrial Gas Co., Ltd. (today a consolidated subsidiary). (Unoshima Sansuiso K.K. was renamed Chunen Fine Gas Co., Ltd. in 1987 and Itochu Fine Gas Co., Ltd. in 1994.)	2006	Dec.	It sells off part of the stock of Sinanen Co., Ltd.

## Main Subsidiaries

### ■ Industrial Material Business and Others

Itochu Industrial Gas Co., Ltd.  
Enex LNG Sales Co., Ltd.  
Itochu Enex Support Co., Ltd.

### ■ Car-Life Business

Tohoku Tank Firm Co., Ltd.  
Itochu Petroleum Sales Co., Ltd.  
Itochu Energy Marketing Co., Ltd.  
Enex Auto Co., Ltd.  
Enex Petroleum Sales Higashi-Nihon Co., Ltd.  
Passtech Co.Ltd.  
Enex Petroleum Sales Nishi-Nihon Co., Ltd.  
Kokura Kosan Energy Co., Ltd.  
Oita Kyuseki Sales Co., Ltd.

### ■ Home-Life Business

Itochu Enex Home-Life Hokkaido Co., Ltd.  
Itochu Enex Home-Life Tohoku Co., Ltd.  
Itochu Enex Home-Life Kanto Co., Ltd.  
Enex Clean Power Energy Co., Ltd.  
Kanagawa Gas Terminal Co., Ltd.  
Itochu Enex Home-Life Chubu Co., Ltd.  
Itochu Enex Home-Life Kansai Co., Ltd.  
Itochu Enex Home-Life Nishi-Nihon Co., Ltd.  
ECORE Co., Ltd.

\*The companies, which Itochu Enex Co., Ltd own more than 50% shares, are listed here.

As of April 1, 2007

## Shareholder Information

### Total number of shares and shareholders

Number of shares authorized to be issued

387,250,000

Number of shares issued and outstanding

96,356,583

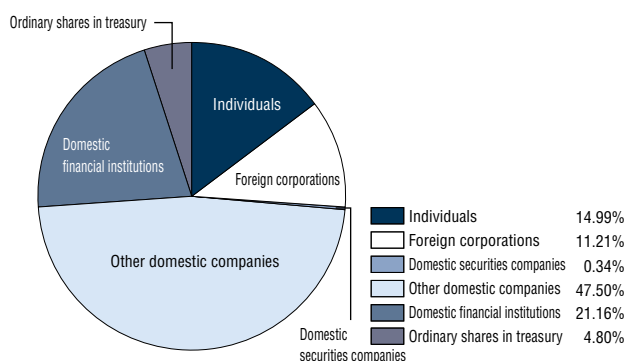
Number of shareholders

9,713 (722 less than the end of March, 2006)

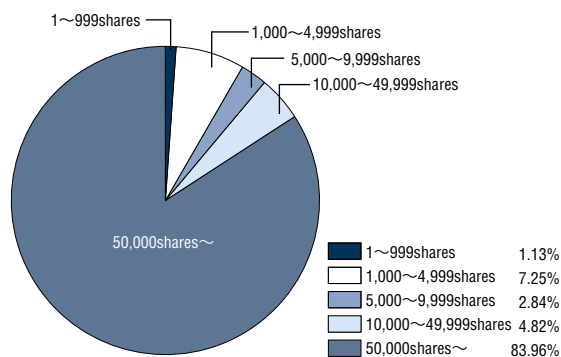
Trading unit of shares

100 shares

### Shareholders, by type



### Shareholders, by the number of holding shares



As of March 31, 2007

### Listed stock exchange

Tokyo (Security name : ENEX)

### Stock Code

8133

### Method of notification

Publication on the company's homepage

### Accounting period

March 31 of every year

### Ordinary general meeting of shareholders

June of every year

### Basic date

Ordinary general meeting of shareholders

March 31

Dividend of year-end

March 31

Interim dividend

September 30

As of March 31, 2007

### Principal shareholders

Shareholder	Number of shares (thousands)	Voting rights (%)
Itochu Corporation	18,667	20.35
Itochu Energy Marketing Co., Ltd	17,132	18.68
Japan Trustee Services Bank, Ltd. (trust account)	3,077	3.35
Enex Fund	2,852	3.11
Nippon Life Insurance Company	2,203	2.40
The Sumitomo Trust & Banking Co., Ltd.	1,974	2.15
The Master Trust Bank of Japan, Ltd. (trust account)	1,954	2.13
The Master Trust Bank of Japan, Ltd. (trust management account)	1,917	2.09
Trust & Custody Services Bank Ltd. ( security investment trust account)	1,804	1.97
Sinanen Co., Ltd.	1,570	1.71

\* Voting rights exclude 4,628,000 ordinary shares in treasury.

## Share business formality

### Shareholder transfer

#### Shareholders' list manager

4-5-33 Kitahama Chuo-ku Osaka-shi,  
The Sumitomo Trust & Banking Co., Ltd.

#### Taking charge of place

1-4-4 Marunouchi Chiyoda-ku Tokyo,  
The Sumitomo Trust & Banking Co., Ltd.  
securities agent department

#### Mail destination

1-10 Nikko-cho Fuchu-shi Tokyo 183-8701

#### Telephone reference

The Sumitomo Trust & Banking Co., Ltd.  
securities agent department  
(Request for address change notice appearance paper etc.)  
Area booking collect call service 0120-175-417  
(Other reference)  
Area booking collect call service 0120-176-417

#### Agent places

The Sumitomo Trust & Banking Co., Ltd.  
head office and all branch offices in Japan

### Buying up under unit shares

#### Taking charge of place

1-4-4 Marunouchi Chiyoda-ku Tokyo, The Sumitomo  
Trust & Banking Co., Ltd. securities agent department  
Area booking collect call service 0120-176-417

#### Agent places

The Sumitomo Trust & Banking Co., Ltd.  
Head office and all branch offices in Japan

#### Buying up fee

The amount of fee is established separately, which is  
equivalent to fee related to trust of stock trading.





