Annual Report 2010

Partnering with society
and ordinary people

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

ITOCHU ENEX CO., LTD.

Fiscal Year Ended March 31, 2010

Contents

Cautionary Statements

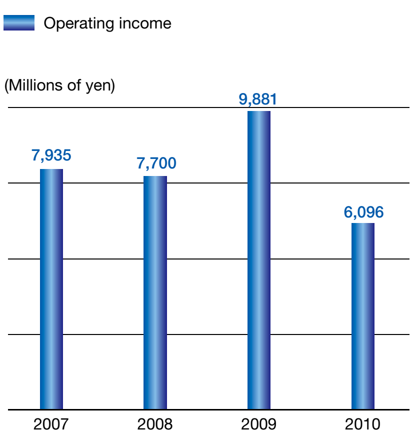
The forward-looking statements addressed in this report such as the outlook on the Company's future performance were judged appropriate by the management of the Company based on information available at the time of publication. Please note that actual results may differ considerably from the current projections depending on fluctuations in exchange rates, market trends, economic circumstances and other factors.

Consolidated Financial Highlights

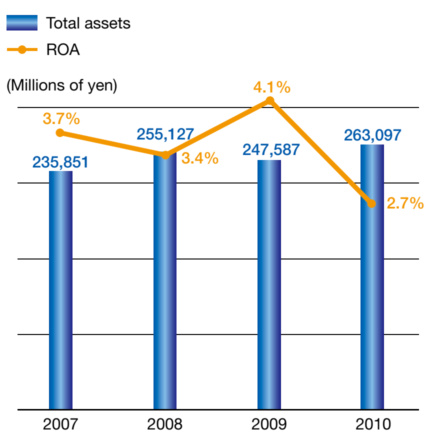
Years ended March 31	2007	2008	2009	2010	2010
Results of Operations (Millions of yen)					(Thousands of U.S. dollars)
Net sales	886,484	1,093,752	1,164,708	1,083,761	11,648,329
Operating income	7,935	7,700	9,881	6,096	65,519
Net income	4,987	4,187	5,419	4,360	46,862
Financial Position at Year End (Millions of yen)					(Thousands of U.S. dollars)
Total assets	235,851	255,127	247,587	263,097	2,827,783
Total equity	82,349	83,708	90,886	92,058	989,442
Cash Flows (Millions of yen)					(Thousands of U.S. dollars)
Cash flows from operating activities	14,131	14,189	29,263	4,962	53,331
Cash flows from investing activities	(2,142)	(5,022)	(1,704)	(3,613)	(38,833)
Cash flows from financing activities	(5,525)	(8,804)	(24,839)	(16,988)	(182,587)
Cash and cash equivalents at end of year	33,297	33,909	43,219	27,598	296,626
Amounts per Share (Yen)					(U.S. dollars)
Net income: Basic	55.04	45.65	52.44	37.46	0.40
: Diluted	55.03	45.65	—	—	—
Net assets	889.53	891.59	759.66	791.24	8.50
Ratios (%)					
ROE	6.24	5.13	6.35	4.88	
ROA	3.7	3.4	4.1	2.7	
Shareholders' equity ratio	34.60	32.06	35.85	34.24	
For Reference					
Number of employees	2,852	2,954	3,605	3,528	
[Others, average number of temporary employees]	[943]	[954]	[1,969]	[2,026]	

Notes: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥93.04=U.S.$1, the approximate Tokyo foreign exchange market rate as of March 31, 2010.
2. Number of employees excludes personnel seconded by the Group but includes personnel seconded to it.
3. 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.

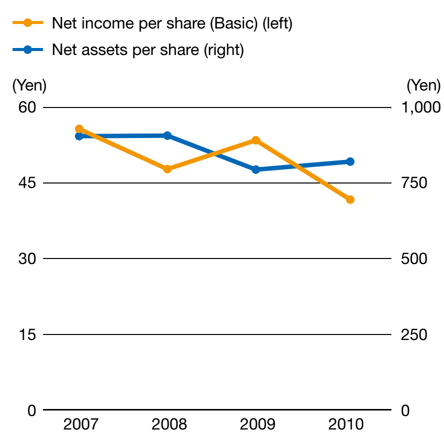
Operating Income



Total Assets and ROA



Amounts per Share



A Message from the President

First of all, I would like to thank our shareholders for their loyal support of the Itochu Enex Group.

In the latter half of fiscal 2009 (the year ended March 31, 2010), the Japanese economy began to show signs of improvement as the ongoing global financial and economic crisis receded. However, difficult conditions persisted in the energy distribution industry, owing to a decline in demand caused by consumers' efforts to save and a heightened awareness in environmental issues. In this business environment, we have drawn together the combined strengths of the Group, based on our "Core & Synergy 2010" medium-term business plan, to fortify our management foundations through the creation of core strengths and synergies. We launched a new business division to respond to changes in society with regard to energy, which have gained momentum more quickly than previously expected.

We look forward to the continued support of our shareholders, customers and other stakeholders.

Akira Kodera
Representative Director and President
ITOCHU ENEX CO., LTD.

Corporate Philosophy

Partnering with society and ordinary people

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

Code of Conduct

Be Ethical

Reliability and sincerity, creativity and flair, transparency and integrity

From a shared sense of crisis, we began working on the development of alternative energy. It has been an auspicious year of great transformation for the Company.

Q1.

What are your impressions after completing the 50th fiscal period?

In short, it has been a “year of great meaning.” The first half of fiscal 2009 can be defined by the impact of the collapse of Lehman Brothers and its lingering effects on the Japanese economy as a whole; and while the price of petroleum products remained high in energy distribution, the industry saw such changes as restructuring and the introduction of a new wholesale pricing system. Meanwhile, demand declined as consumers focused more on saving money and driving less, while awareness of environmental issues, particularly CO_2 emissions, increased dramatically.

By acknowledging such developments and sharing a common sense of crisis, our resolve to “move toward the next stage as a united group” has been strengthened. I believe this was one of the great positives to come out of fiscal 2009. The group’s medium-term business plan “Core & Synergy 2010” includes the slogan “Moving to the next stage by implementing reforms”—and circuit meetings were held in eight locations nationwide in June and July of last year to discuss this goal. Many Group employees expressed the opinion that “it is necessary to take specific steps (action) toward alternative energy.” Our plan initially included action concerning dimethyl ether (DME), fuel cells and electric vehicles, but these were simply positioned as part of the preparation phase for the next medium-term business plan.

However, as young people use cars less and less and popular sentiment concerning the environment and the departure from the use of fossil fuels grow stronger, I believe a sense of crisis has spread among employees. In response to this, we have renewed our awareness and have decided that taking swift action to address the considerations of the alternative energy business would help take the Group to the next stage. As a result, we launched the Fuel Cell Solar & Electric Vehicle Business Department in September to begin our endeavors in alternative energy. In November, we decided to participate in a joint project conducted by the Itochu Group to demonstrate low-carbon transportation systems utilizing alternative energy, in Tsukuba, Ibaraki Prefecture.

In the past, it has been said that boundaries exist between our divisions, but efforts made to cross such boundaries in each region have gained momentum. By rebuilding the earnings structure of gasoline and LP gas, which have been our core businesses, we have been able to consider a variety of proposals on businesses involving solar cells, fuel cells and lithium ion batteries. As a result, although we were faced with a difficult business environment in the first half of fiscal 2009, our 50th fiscal period, a heightened sense of unity throughout the entire Company enabled us to record sales of ¥1,083,761 million, operating income of ¥6,096 million, ordinary income of ¥7,005 million and net income of ¥4,360 million, a great achievement considering the headwind we have been facing in recent times. In this respect, I believe it has been a truly meaningful and significant year.

Overview of FY2009

- Structural change in demand for petroleum products brought about by the slowdown in the U.S. economy
- Compressed margins and decreased demand in the domestic distribution of petroleum products
- In the first half of the fiscal year, trade, industrial and automobile businesses deteriorated

By implementing three growth strategies in our medium-term business plan and focusing on improved profitability in the latter half of the fiscal year, we were able to rebuild our earnings base for the next fiscal year.

Q2.

How has the Company's medium-term business plan been progressing?

The Core & Synergy 2010 plan was initially implemented in fiscal 2008 to strengthen the foundations of our core businesses of petroleum and LP gas. With this in mind, we made Kohnan Fleet Corporation a wholly owned subsidiary in the same year, with the expectation of synergies with the Industrial Material Division, which deals with corporate clients. We also took over the petroleum product import business of Itochu Corporation, establishing the Energy Trade Division to carry on the work of Itochu Petroleum Japan Ltd., and launch our business not only in Japan but also overseas. In the second year of the plan, fiscal 2009, we were able to establish a system enabling the efficient and stable supply of LP gas to consumers, by launching LP gas wholesaler Japan Gas Energy Corporation with Japan Energy Corporation and Nissho Petroleum Gas Corporation in April. As a result of these efforts, we have been able to establish new lines and increase new customers, leading to expanded sales of the products we handle.

The newly established Fuel Cell Solar & Electric Vehicle Business Department was launched directly under the control of the president, with the aim of actively promoting fuel cells and solar power generation as distributed household power generation systems, and businesses associated with electric vehicles, with an eye toward the next generation of automobiles. These were areas previously covered by the Alternative Energy Business Development Office.

We have also launched an initiative in our energy distribution business to further strengthen and expand our business foundations.

The Corporate Planning & Development Division is working on management policies aimed at moving to the next stage, and the Fuel Cell Solar & Electric Vehicle Business Department will shift from the direct control of the president to the Corporate Planning & Development Division to enable the integration of management with operating divisions and regions. We have also conducted training and have overseen the development of personnel required for the next stage, creating an organization that promotes dialogue with stakeholders, and adopting CSR practices and compliance procedures that are preconditions for the entry into the next stage. The Corporate Administration Division is positioned as an organization that supports the efforts of operating divisions and helps them implement various measures with efficiency and speed.

Medium-Term Business Plan

Medium-Term Business Plan of the ITOCHU ENEX Group

Core & Synergy 2010

To the next stage via the implementation of reforms

Positioning: The period is positioned as a time frame to firmly establish our future growth course by restructuring the Group's business platform through the acquisition of new management resources, functions and business models.

Basic Policy: By fostering Group unity, the Itochu Enex Group endeavors to develop global businesses horizontally and vertically, strengthen core businesses and create synergies to double its earnings.

Period: Three years (fiscal 2008 through fiscal 2010)

Q3.

What are your views on efforts to move the Company to the next stage?

As the final year of our medium-term business plan, the Company has positioned fiscal 2010 as "the year to move forward to the next stage," and we see this as being a year in which we fine-tune our efforts to realize this goal through strengthening and expanding the foundations of our core businesses. In order to implement reforms, we restructured our management and administrative divisions and established the Corporate Planning & Development Division and the Corporate Administration Division. This restructuring will help create new functions for assisting operating divisions and ensure the efficient functioning of the organization.

Q4.

Could you tell us about the Company's strategy for fiscal 2010?

The relevance of energy in daily living has changed greatly over the past several years. Energy conservation has become such a prominent theme in today's society, and consumers have a greater interest in and more demanding needs for energy than in the past. The key point here is that energy consumption is no longer possible without reduced CO_2 emissions as we move toward becoming a low-carbon society.

The Itochu Enex Group is implementing the three following initiatives aimed at the realization of a low-carbon society. To begin with, we will endeavor to reduce CO_2 emissions by promoting advanced uses of fossil fuels. We will work to sell bio-gasoline, bio-diesel, fuel cells and gas equipment with efficient combustion, while working to promote the proliferation of LPG vehicles, which produce fewer CO_2 emissions than gasoline-powered vehicles. We will also work to strengthen efforts focused on renewable energy sources such as solar cells and biofuels. Furthermore, we will proceed to work on electric energy, including wholesale and retail sales of electric power. We already launched our electric power wholesale business in December of last year, and in fiscal 2010, we will build mechanisms enabling the provision of electric power to Car-Life Stations and LP gas outlets within our network. The Group will firmly establish its direction to ensure the aforementioned policies are steadily implemented.

Q5.

Could you provide a message for our shareholders?

Fiscal 2009 saw the continuation of an extremely difficult business environment for the Itochu Enex Group. However, backed by a sense of crisis shared throughout the Company, we were able to undergo a substantial transformation and build the foundations for the next stage of growth. The next fiscal year will be the last year of Core & Synergy 2010. Through management resources, functions and business models acquired in preparation for the coming era, we will work to further strengthen and expand the Company centered on our core businesses, and take the initiative in the domestic energy distribution business. Furthermore, as our Group is engaged in the energy business, there is a risk of having a grave impact on the environment. Based on this awareness, we will ensure that CSR practices and compliance procedures are employed along with security procedures, as we strive to continue to be a company that contributes to society. In fiscal 2010, we are aiming for sales of ¥1,120,000 million, operating income of ¥9,800 million, ordinary income of ¥10,200 million and net income of ¥3,800 million, while continuing to offer shareholder returns with a dividend payout ratio of 30 percent or more.

Next January marks the 50th anniversary of the Company. Fiscal 2010 is expected to be a critical year bridging the past and the future. With renewed resolve, all employees will continue to strive toward growth befitting the Itochu Enex Group.

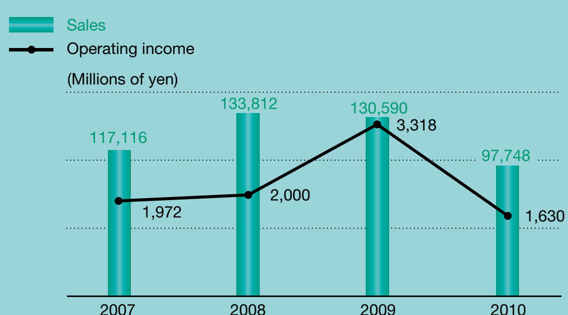
At a Glance

Industrial Material Division

Supply of energy and materials to customers; production of high-pressure gases; and sales of asphalt, cement, LNG (liquefied natural gas), urea solution, power, next-generation energy equipment (solar power generation, among others), etc.

Percentage of net sales

Sales and operating income



The figures for 2009 and 2010 are based on a new business segment classification.

Highlighted Data

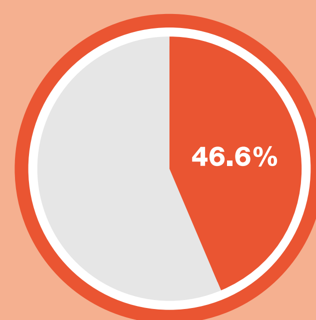
Corporate customers	Sales of asphalt
3,500 companies throughout Japan	**15%** domestic market share
Inland marine fuels	**AdBlue high-grade urea solution for urea SCR systems**
15% (No. 1) domestic market share	Approx. **20%** domestic market share

(As of March 31, 2010)

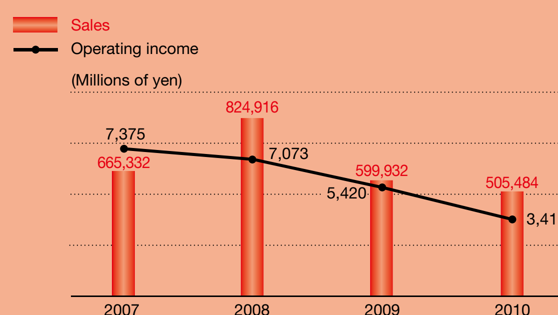
Car-Life Division

Sales of gasoline, kerosene, gasoil, heavy oils, lubricants, automobiles, automotive parts and next-generation energy equipment (fuel cells, solar power generation, etc.); and the sale and provision of services such as vehicle inspection, servicing and rental cars to consumers centered around Car-Life Stations (CSs).

Percentage of net sales



Sales and operating income



The figures for 2009 and 2010 are based on a new business segment classification.

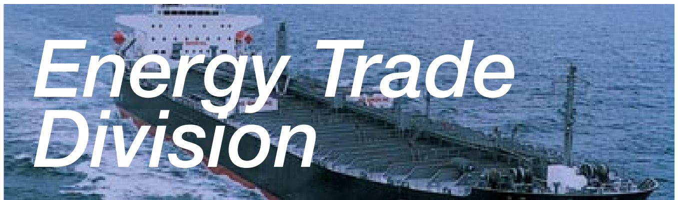
Highlighted Data

Enex-affiliated CSs	Car Enex Private-Brand CSs
2,153 stations	**412** stations
Sales volume of gasoline	**Car Enex Itsumo Card**
No. 1	More than **490** thousand members

Largest number of CSs and gasoline sales volume for an energy trading company

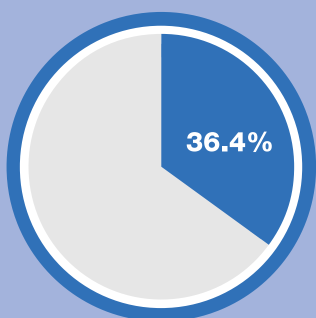
(As of March 31, 2010)

Energy Trade Division

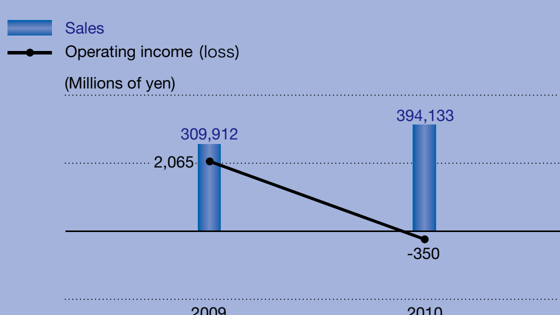


Import, export and trading to adjust the domestic balance between supply and demand for petroleum products; chartering and navigation of ships; import and sale of marine fuels; sale and purchase of lubricants; and supply of logistic functions in petroleum storage facilities.

Percentage of net sales



Sales and operating income



The figures for 2009 and 2010 are based on a new business segment classification.

Highlighted Data

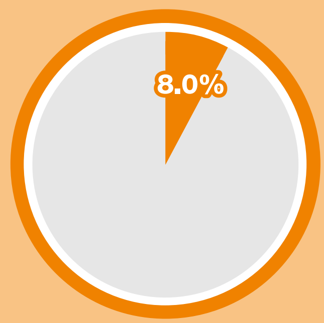
Total volume at terminals	Annual volume of marine fuels handled
178 thousand KL	**3.5** million tons
Total navigation tonnage/ Total freight volume	**Lubricant volume handled**
360,000 DWT	**12** thousand tons

(As of March 31, 2010)

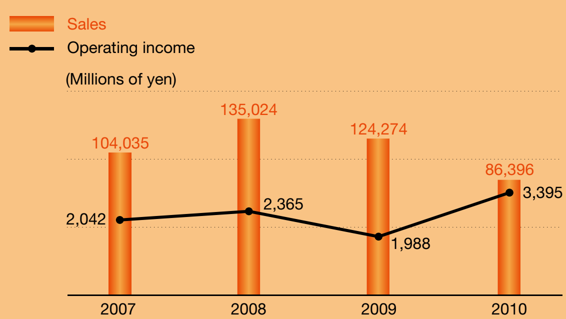
Home-Life Division

Provision and sale of lifestyle-related goods, products and services, such as LPG (liquefied petroleum gas) and related equipment (combustion, kitchen, heating and cooling, housing equipment, etc.), next-generation energy equipment (fuel cells, solar power generation, etc.), household goods, catalog goods and other miscellaneous items.

Percentage of net sales



Sales and operating income



Highlighted Data

Presence in communities across Japan	Network of retail outlets throughout Japan
1 million households	**1,600** stores
Sales volume of auto gas	
13% domestic market share	

(As of March 31, 2010)

Core Business of the Enex Group

Industrial Material Division

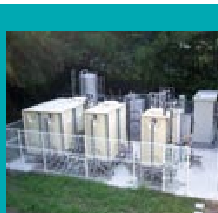
Moving to the next stage with energy solutions

We support corporate customers with comprehensive energy solutions based on the themes of the environment, energy saving and cost reduction.

Based on sales of industrial energy such as petroleum, LP gas, natural gas and electric power, as well as industrial materials such as asphalt and cement, the Industrial Material Division is focusing on the creation of added value by strengthening the development of new products and new services, enhancing its method of proposal, and staying a step ahead of customers' needs. With many years of providing customer-oriented services, the Division is also working with the Alternative Energy Business Development Office to provide energy solutions optimized for customers' needs, such as being environment-friendly, saving energy and reducing costs, in an effort to support the evolution and advancement of society and industry.

Front line report

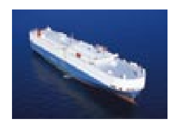
A groundwater membrane filtration system for resolving water problems

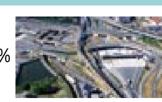


This is a groundwater membrane filtration system perfect for customers requiring a large amount of drinking water, such as hotels, hospitals and food processing plants. By creating a "mini purification plant" on the grounds and supplying water to an intake tank after it has passed through a stringent filtration process and chlorination, it is possible to lower the costs of supplying water by 20–30% per year. The system is also highly regarded in terms of its ability to respond to disasters.

Major products and services

Industrial energy	
Petroleum products	Gasoline, kerosene, light diesel oil, heavy oil A, heavy oil C, industrial LPG Data 15% share of inland marine fuels (No. 1)
High-pressure gas	Industrial and medical use (Oxygen, nitrogen, hydrogen, argon and carbon monoxide gases) *The high-pressure gas business is operated by Itochu Industrial Gas Co., Ltd. http://www.iig.co.jp/
Electric power	Wholesale of power to retailers
Industrial materials	
For road construction	Asphalt Data Domestic market share of 15% Cement
Other	Electricity receiving a transforming groundwater membrane filtration system
Environmentally oriented products and energy solutions	
Urea solution	AdBlue high-grade urea solution for use in urea SCR systems for diesel trucks Data Domestic market share of 20%
CCFL	Next-generation E-COOL boasting power savings and low cost
LNG	Fuel conversion aimed at the environment and cost reduction Data LNG sales increased 58% year on year
Alternative energy	Support for the implementation and operation of photovoltaic power generation, wind power generation





Core Business of the Enex Group

Car-Life Division

Appealing CSs creating new car life scenarios

We are proceeding to implement a “CS strategy” for meeting the diversification of car-life needs by adopting the customer’s perspective.

In addition to our leading position as an energy trading company with 2,153 affiliated CSs (Car-Life Stations) nation-wide, to which we sell gasoline, kerosene and oil, the Car-Life Division is quick to sense changes in diversifying Car-Life needs and provides a variety of services based on the concept of the transition from SS (service station) to CS (Car-Life Station). Furthermore, we will create CSs that are appealing to our customers by adding new services such as Itsumo Rent-a-Car, which provides increased convenience to people living in areas where car ownership is uncommon.

Front line report

Increasing customer satisfaction by heightening the “on-site” aspect of services


A CS performing on-site training

For a CS to survive, it is important that it further increases customer satisfaction through the development of human resources providing services. In fiscal 2010, we will expand our training program to provide on-site CS training for learning more practical operations, in addition to strengthening management training concerning new areas such as the Fuel Cell Solar business and the Next-Generation Vehicle business.

Major products and services

Products and services responding to Car-Life needs		
Petroleum products	Gasoline, kerosene, light diesel oil, oil Data Gasoline sales volume No. 1 for a trading company-affiliated CS	
Card services	Car Enex Itsumo Card Data Number of total cards issued exceeds 490,000 Fuel card system for corporations	
Car sales system	Itsumo Car Net	
Vehicle inspection and maintenance services	Holiday Vehicle Inspections	
Light bodywork service	Touch-up Yasubei Itsumo Repair Car Convenience Club	
New services providing greater convenience to people in the community		
Rent-a-Car service	Convenient Itsumo Rent-a-Car utilizing used vehicles owned by CSs	
Alternative energy		
Photovoltaic power generation	Residential photovoltaic power generation systems	

Core Business of the Enex Group

Energy Trade Division

Global trading & logistics of petroleum products

The Division conducts imports/exports of Japan-originated petroleum products, navigation of ships and tank leasing operations.

Oil prices fluctuate sharply every day due to the effects of a variety of factors such as the politics, economies and climates of various regions throughout the world. The domestic petroleum products market is also becoming more and more closely linked to international markets. Under these conditions, the Energy Trade Division conducts imports/exports of Japan-originated petroleum products for overseas markets and domestic sales, while chartering and navigating ships, importing and selling marine fuel, selling lubricants, and globally expanding logistics functions such as the operation of the Enex Group's oil storage facilities.

Front line report

Acting as a core organization handling the Itochu Group's transportation of oil

The annual logistics volume of the Itochu Group's petroleum products amounts to 12 million tons, and the Energy Trade Division is responsible for arranging the tankers for transporting these products. Approximately 300 ships are arranged annually, putting the Company in the top class of Japanese trading companies.

Major businesses

Trading of petroleum products

Petroleum products

Import and export of petroleum products responding to changes in the domestic and overseas balance between supply and demand

By constantly conducting dynamic imports and exports attuned to the domestic and overseas balance between supply and demand along with pricing trends, the Division responds to customers' needs and also plays a role in supplying Group companies.

Navigation and chartering of ships

Providing petroleum products logistics functions that meet a broad range of customers' needs

Data Total navigation tonnage/Total freight volume: 360,000DWT

As a core organization handling the Itochu Group's transportation of oil, the Division responds to a myriad of customers' needs. Work is being conducted on numerous tanker-related projects, and the Division is playing a role in the Itochu Group's logistics.

Marine fuels and lubricants

The Division operates a marine fuel trading business in the major ports of the world

Data Annual volume of marine fuels handled: 3.5 million tons/ Lubricant volume handled: 12,000 tons

The Division has established a supply system for meeting the demand of domestic and foreign shipping companies in the Etajima Oil Terminal, Kansai and the Keihin district. Overseas, we have established solid relationships with influential local suppliers in major ports, and we boast one of the highest sales volumes in the industry.

Tank leasing operations

Strengthening of operations through the creation of a domestic tank network

Data Total volume at terminals: 178,000KL

The Company owns tanks with a total capacity of 178,000KL in locations nationwide, including the Etajima Oil Terminal (Etajima-shi, Hiroshima) and the Oigawa Oil Terminal (Yaizu-shi). These are used as supply bases for petroleum products and chemicals destined for both the domestic and overseas markets.

Core Business of the Enex Group

Home-Life Division

Energy advancing the way we live by focusing on the home

To make every day of our customers' lives satisfying, we deliver safe and functional energy along with a diverse range of lifestyle proposals.

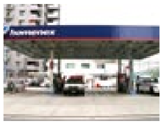
The Home-Life Division delivers environment-friendly energy to over 1 million households and business customers nationwide in the form of LP gas and city gas. We also assist in making our customers' lives richer and more comfortable through the Kurashi-no-Mori business, providing kitchen and bathroom remodeling along with lifestyle-related products and services. In order to realize a low-carbon society in the future, we are actively working to sell technologies such as photovoltaic power generation systems and fuel cells, with the aim of delivering clean energy to households.

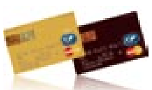
Front line report

Transmitting information to younger generations through the Kurashi-no-Mori mobile site

We have opened a mobile site for our Kurashi-no-Mori business providing proposals for comfortable lifestyles to enhance the communication of information to younger generations. We communicate an enormous amount of useful information such as delicious recipes, information on the latest gas appliances and how to use them safely, as well as information on the discounted services provided through the ASCLASS Card.

Major products and services

Energy-related business	
LP gas	Household and commercial (restaurants, etc.) 
City gas	Sale of city gas (LNG) in Nakatsu-shi, Oita
Auto gas	Outlet selling LP gas to environment-friendly LP gas cars (taxis, etc.) Data 13% domestic share of auto gas sales volume 
Photovoltaic power generation	Residential photovoltaic power generation systems 
Fuel cells	Sale of ENEFARM (JX Nippon Oil & Energy products)
Double power generation	Efficient clean energy for the home achieved by combining solar with ENEFARM

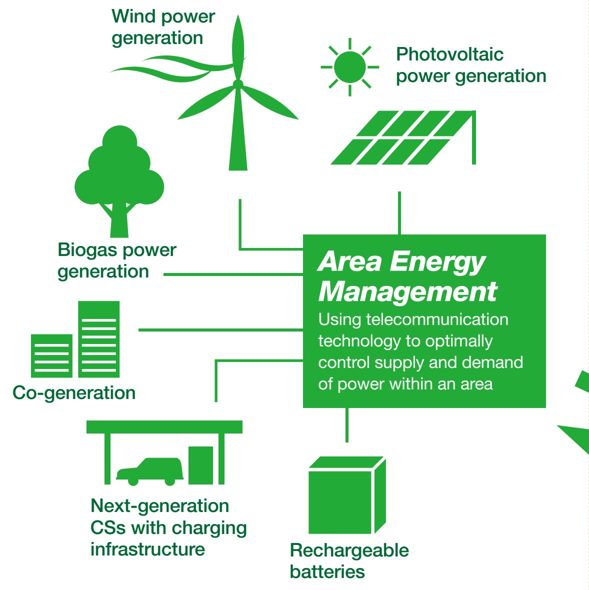
Lifestyle-related businesses	
Proposals for comfortable living	Transmission of environmental, culinary and lifestyle information through the Kurashi-no-Mori brand
Card services	Gas payments, special benefits and a variety of services through the Kurashi-no-Mori ASCLASS Card 
Remodeling	Nationwide operation of services ranging from consultation on safety and comfort concepts to actual design and construction

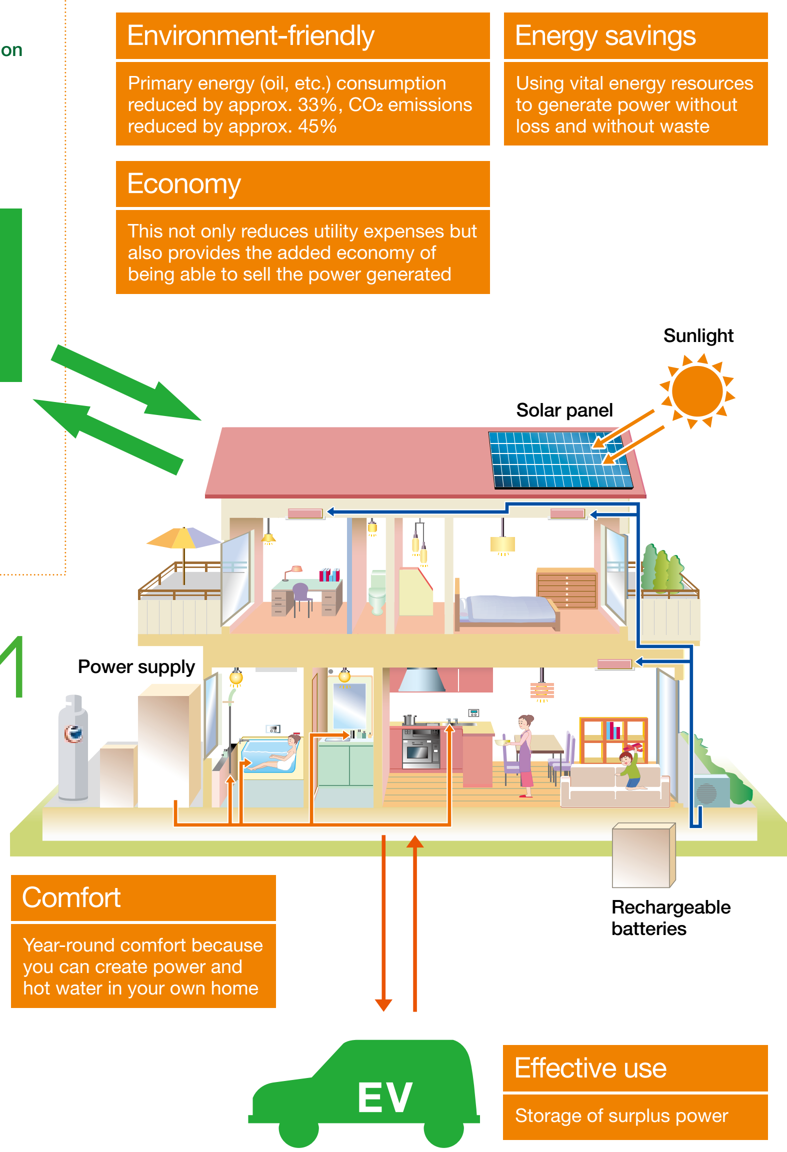
Special Feature *The Enex Group has begun moving toward the next stage*

Energy will change, lifestyles will change

A lifestyle with the best mix of eco energy seen in the next generation of comfort

As environmental awareness grows on a global level, moves aimed at realizing a low-carbon society have increased. There is also a trend of rethinking energy in the home, and this trend is spreading throughout society, which calls for the utilization of green energy in the home. It is a new lifestyle that begins with "eco." Homes of the future are being changed by "eco." Each and every person needs to adopt a low-carbon lifestyle, balancing personal comfort with sensitivity toward the environment.





ENE·FARM

By utilizing double power generation combining photovoltaic power generation and fuel cells, it is possible to maximize the benefits of "energy creation" in the home. Enhancing "energy creation" further increases the benefits, and will lead to the realization of an eco energy system that is optimal for homes in a next-generation low-carbon society.

Dealing with global environmental issues from each person's lifestyle. As each consumer's awareness changes dramatically, energy in our lives is moving to the next stage.

To create energy in a low-carbon society

"Energy creation" in the home will begin

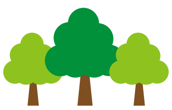
The next-generation lifestyle in harmony with the environment. The key is "energy creation" in the home utilizing clean energy, such as natural energy.

A photovoltaic power generation system that is kind to both the environment and the household budget

Photovoltaic power generation using familiar natural energy is the cornerstone of "energy creation" for realizing a low-carbon society.

The environmental protection effect of photovoltaic power generation

[Example] Using a 3kW system for 1 year…



Equivalent to planting 67 trees

Reducing oil consumption by 729L (3 barrels)

Residential fuel cells with high energy efficiency

Fuel cells are expected to provide a distributed power source for homes. High energy efficiency is provided by the waste heat emitted in power generation.

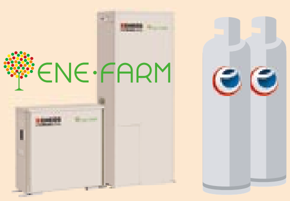
High energy efficiency

As power is generated on site, the heat emitted can also be used, providing a high energy efficiency of 70–80%.

Key technology in focus

Supplying hydrogen from LP gas

The principle of the fuel cell is the opposite of the electrolysis of water that people learn in junior high school. Electricity is created by reacting oxygen and hydrogen, and the only thing produced other than electricity is water. LP gas is expected to be a promising source of hydrogen. LP gas used in everyday life will also contribute as a next-generation household energy source. The hydrogen used in the chemical reaction in a fuel cell can be obtained by reforming the LP gas sold by the Company. Stable LP gas supply supports the stable operation of fuel cells.



Household co-generation system

Efficient use of energy is progressing through the use of gas-based power generation and heat supply systems (ECOWILL), etc.

To use energy intelligently

"Energy storage" in the home will begin

The utilization of renewable energy is essential for the realization of a low-carbon society. To achieve this, rechargeable batteries that can be stably used at any time are essential for overcoming the instability of renewable energy. For example, if there is a rechargeable battery in the home, the power generated using solar energy can affordably be used as electricity whenever needed.

Enabling the "home charging" of electric vehicles

Once plug-in electric vehicles become a reality, we will enter an era in which electric vehicles can easily be charged at home.

Stationary rechargeable battery

Electric vehicles will provide a power source for the home

It will become possible to use the excess power stored in electric vehicles as an energy source for electrical appliances. Car Life and Home Life will merge through the rechargeable batteries stored in electric vehicles, as cars become part of the home. This era is just around the corner.

Charging an electric vehicle

To build mutually complementary relationships for electric energy among regions throughout Japan

"Area energy management" of local production and local consumption will begin

The CO_2 emitted from households accounts for 14% of all emissions in Japan, with electric power consumption accounting for 65%, an increase of 1.6 times compared to 1990. Therefore, to reduce CO_2, it is important to give households greater intelligence* through power creation, power saving and power storage solutions. Furthermore, in the next stage, power storage technologies will be used to equalize the load on distributed power sources, such as renewable energy in certain regions. This "area energy management" of local production and local consumption providing power to consumers will help to bring about a low-carbon society. The Company is beginning to work on the creation of business using the "best mix of electric power + petroleum products" for realizing area energy management, utilizing the synergies of the Itochu Group.

* Efficiently utilizing energy by optimally controlling supply and demand through the application of IT to energy networks. These homes with intelligence are referred to as "smart homes."

From "creation" to "use" of energy
The Enex Group will provide the best mix of eco energy.

Special Feature *The Enex Group has begun moving toward the next stage*

A new area strategy borne from a consumer perspective

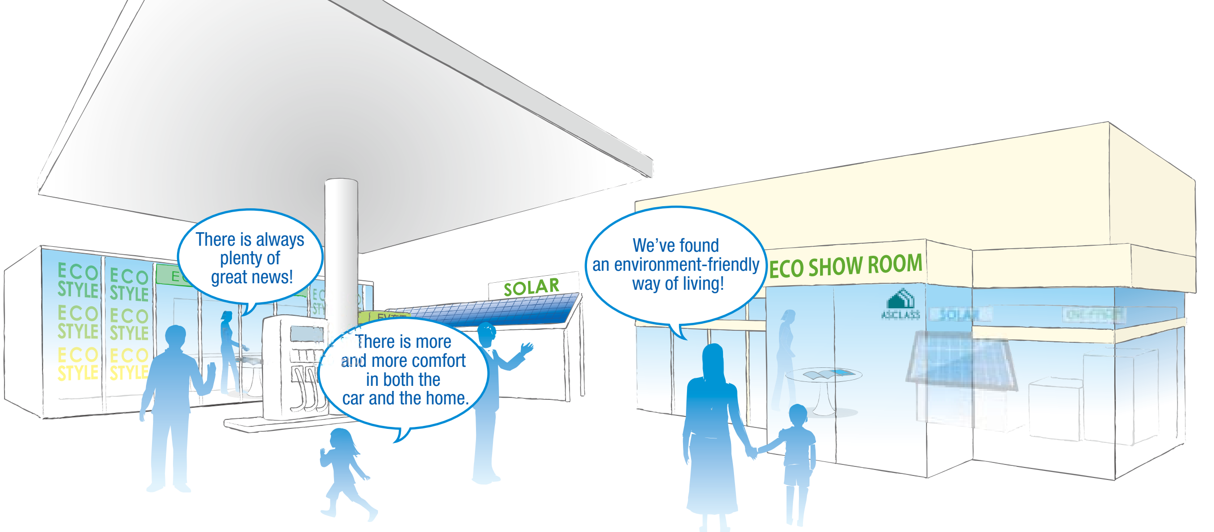
We will create a new area network offering "the best mix of eco energy and a life of comfort."

At Itochu Enex, the Fuel Cell Solar and Electric Vehicle Business Department is playing a central role working with the Car Life, Home Life and Industrial Material Divisions to expand regional service centers and create a new area network covering all of Japan, while giving each business location the capability to propose new energy services.

Image of the new area network

The new locally oriented area network will offer a total range of services spanning from eco energy to comfortable living.

Consumer centers in a low-carbon society = New network stations

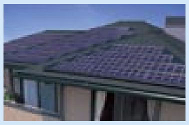


Car-related proposals

Itsumo Rent-a-Car
Itsumo Car Net (car trading service)
Car care
(Itsumo Repair, Holiday Vehicle Inspections, Car Convenience Club)
Rapid charging service for electric vehicles

Eco energy proposals

Photovoltaic power generation systems
Residential fuel cells
Co-generation systems
Household rechargeable batteries



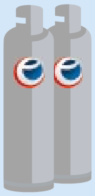
Home proposals

Remodeling
Renovation

ASCLASS

Energy supply

LP gas
City gas



New efforts to propose an "eco energy lifestyle" have begun.

Design and installation of photovoltaic power generation systems

Nationwide deployment in conjunction with Ecosystem Japan, which is part of the Itochu Group

Ecosystem Japan, a company in the Itochu Group, is a business with a solid track record providing the design and installation of photovoltaic power generation systems. Working with Ecosystem Japan, the Itochu Enex Group will provide display sections in the showrooms of "next-generation CSs" proposed by the Company in order to convey the benefits of photovoltaic power generation systems, while also providing a total range of services spanning from the proposal of photovoltaic power generation systems optimized for each customer, to engineering services and after-sale maintenance.

Example of a photovoltaic power generation installation

Energy creation (Double power generation [combination of solar light + fuel cell]) + Energy storage

Promoting the sale of clean double power generation by the Group

The Company has focused on photovoltaic power generation and ENEFARM residential fuel cells, positioning double power generation combining the two as the optimal "energy creation" for households, while also looking to "energy storage" of surplus power in the creation of a system able to provide total solutions, encompassing everything from design and installation to maintenance. We are working to create a next-generation low-carbon lifestyle by actively proposing and selling these systems to households throughout Japan.

Projects cooperating with the Itochu Group

A project to demonstrate low-carbon transportation and social systems utilizing clean energy

The Company is participating in the Green Crossover Project, conducted by Itochu Corporation, cooperating companies and the city of Tsukuba, to jointly demonstrate low-carbon transportation and social systems utilizing clean energy. The official joint demonstration began on May 17, 2010. The project is a comprehensive, complex effort to demonstrate low-carbon social systems linking electric vehicles, rapid chargers, stationary rechargeable batteries and photovoltaic power generation based around Enex CSs and the stores of FamilyMart Co., Ltd. By participating in this project, the Company will contribute to the demonstration of the feasibility of low-carbon transportation and social systems, while developing and spreading "next-generation CSs" aimed at protecting the global environment and contributing to local communities.

Demonstration of a rapid charging system at an Enex CS

The project website can be found at http://www.green-crover.jp

Remodeling and eco energy

Proposals to match remodeling and renovation

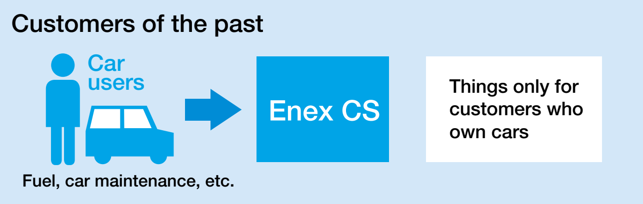
The Group's ASCLASS home service brand offers nationwide remodeling focused on plumbing-related installations such as for kitchens and bathrooms, and a renovation* service for renewing and upgrading the applications and functions of homes. The provision of such services offers the perfect opportunity to economically and effectively implement clean next-generation double power generation. The Company also makes proposals for double power generation systems based on the theme of "homes that are environment-friendly, safe and comfortable," helping to create reliable homes that can be safely lived in forever.

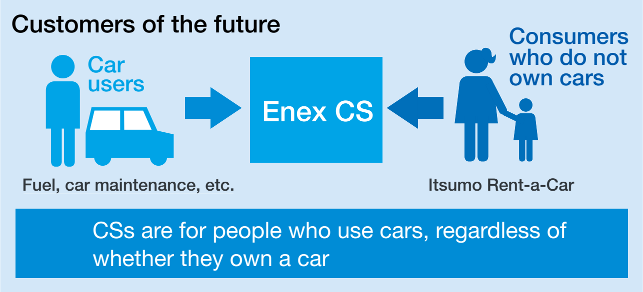
*Renovation: Creating new added value by improving upon an existing building through upgrades and refurbishments in applications and functions. These are large-scale jobs such as the installation of new plumbing, reconfigured plumbing, system upgrades, layout and design changes, etc. (Remodeling refers to minor work for returning aging buildings to their original condition.)

New services for the era of car sharing

Itsumo Rent-a-Car provides greater convenience to people in the community

As younger generations' apathy toward cars rapidly progresses, the car is changing from something that is bought to something that is rented by consumers. Under these circumstances, Itsumo Rent-a-Car has been extremely well received by consumers and industry personnel alike since it made its appearance utilizing existing CS stores in April 2009. The launch of the Itsumo Rent-a-Car service attracted consumers without cars who were not previously targeted, enabling CSs to draw them in as a new group of customers. The new type of rent-a-car service based on a consumer perspective is improving convenience for people in the community and contributing to the vitalization of communities.





Look forward to our new area network proposing an "eco energy lifestyle."

Times are changing dramatically as we move from a society centered on petroleum products toward a clean, low-carbon society. Along with changing attitudes of consumers, new needs have arisen concerning energy related to home and car life, such as photovoltaic power generation, fuel cells, rechargeable batteries and support for electric vehicles. To respond to such needs, we believe it is important to make proposals enabling the best answer to customer needs—and this is found by adopting the perspective of the best mix of electricity and petroleum. In the future, the Group will propose an "eco energy lifestyle" responding to the wide-ranging needs of consumers, with the Fuel Cell Solar and Electric Vehicle Business Department playing a central role in companywide efforts spanning various divisions to build a new area network.

Hiroshi Hayashida, General Manager of the Fuel Cell Solar and Electric Vehicle Business Department in the Corporate Planning & Development Division

Special Feature *The Enex Group has begun moving toward the next stage*

Responding to the changing energy demands of industry

We will provide optimal energy solutions and accelerate the flow toward low carbon based on the themes of the environment, cost and increased efficiency.

Promotion of fuel conversion of natural gas to LNG, which boasts excellent environmental performance

Demand for LNG is growing, not only because impurities and sulfur are removed from natural gas when it is liquefied but also because the low-carbon molecular structure makes it a clean industrial energy source. The Company is supporting fuel conversion to LNG to respond to the needs of customers in areas throughout all of Japan. In addition to providing environmental measures and reducing costs, we also provide proposals to lower the initial cost (through financing) as part of our comprehensive energy solution.

Effect of implementing an LNG solution
Reducing CO_2 emissions through LNG conversion

Company A	Company B
Conversion from LPG to LNG	Conversion from Bunker C to LNG
4,000t reduction in annual CO_2 emissions	7,000t reduction in annual CO_2 emissions

Strengthening of efforts focused on electric energy solutions

We are actively promoting efforts focused on providing electric energy solutions to add electricity to our product lineup as a comprehensive energy solution company.

The electric power wholesale business was launched in December 2009

In December 2009, we began to purchase power through negotiation transactions, and wholesale it to Nihon Techno Co., Ltd., which is a power retailer. In the future, we plan to steadily expand the scope of the business with diversified suppliers and clients, also considering entry into the power retailing business for corporate consumers while sufficiently investigating market trends and issues.

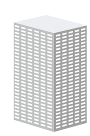
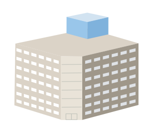
Proposal of photovoltaic power generation and fuel cells for use in large-scale facilities

We provide total support including the proposal, installation, operation and maintenance of energy systems such as photovoltaic power generation and fuel cells optimized to meet customers' needs from the perspectives of energy efficiency, system reliability and economy.

Flow of the electric power wholesale business

This is a business that utilizes excess power by connecting buyers and sellers of power.

- Power plant
- ▼ Procurement
- Itochu Enex
- ▼ Wholesale
- Power retailer
- ▼ Retail
- Factories | Buildings | Stores

We aim to provide flexible energy solutions that are adaptable to changes in "needs and seeds."

Society's awareness of the environment is changing, and the form of energy is changing significantly as a result. We believe it is the mission of the Energy Solution Department to provide strong support for the development of society and industry while responding to such changes. The Company has been involved in many attempts to address next-generation energy through collaboration among industry, government and academia, and the possibilities of energy for supporting society and industry of the future are opening up in front of us. Utilizing the track record established to date, the Company aims to provide energy solutions that meet the demands of end-users in terms of economy, stability, convenience and the environment.

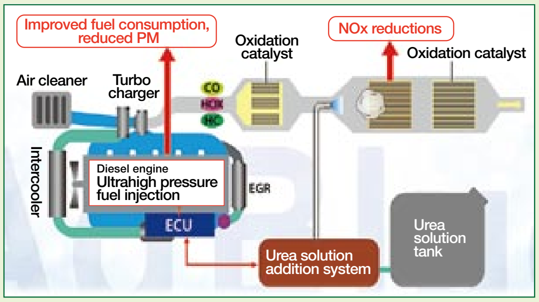
Toshio Koyama, General Manager of the Energy Solution Department in the Industrial Material Division

Expansion of sales of AdBlue urea solution for exhaust scrubbing

The urea SCR system for breaking down and detoxifying NOx using a reduction reaction caused by ammonia when urea solution is injected into diesel exhaust is the mainstream method for dealing with truck and bus emissions. AdBlue, utilized in this system, is the world standard of high-grade urea. With the aim of providing an optimal and stable supply to customers, the Company has worked to establish distribution points in areas throughout Japan to sell the product, and our domestic market share was around 20% in fiscal 2009.

A container of AdBlue urea (the container is on the left)

Mechanism used in a urea SCR system



Launch of the E-COOL high-performance cold cathode fluorescent lamp (CCFL)

E-COOL is the next generation of lighting utilizing the CCFLs used in LCD televisions, monitors and notebook PCs. Despite having at least the same level of energy savings as LED lighting, the implementation and electricity costs are below those of LED lighting, and power consumption and CO_2 emissions are around 40% less than a fluorescent tube. We will offer this innovative power-saving, cost-saving form of next-generation lighting to businesses working to save energy and reduce CO_2 emissions.

Next-generation lighting balancing energy savings and economy

- Economy ············ Annual electricity cost cut by 40% compared to conventional light (same as LED)
- Environment-friendly ········ Annual CO_2 emissions cut by 40%
- Reliability ············ Rated lifespan of approx. 4,000 hours (same as LED)

[Comparison]

40W type	Fluorescent lamp	LED	E-COOL
Rated power	40W	22W	22W
Power consumption	45W	27W	27W
Annual electricity cost	¥594,000	¥356,400	¥356,400
Annual CO_2 emissions	14.985kg	8.991kg	8.991kg
Product lifespan	6,000–12,000 hours	40,000-plus hours	40,000-plus hours

Note: Configuration: Comparison made with brightness equivalent to two 40W x 100 units
Annual illumination: 3,000 hours; Power cost: ¥22/kWh; CO_2 emission coefficient: 0.555kg-CO_2/kWh

The difference between a fluorescent lamp and a CCFL is the electrode structure

A fluorescent lamp and a CCFL have a similar structure, but whereas a fluorescent lamp emits electrons from the emissive material, or emitter, by heating the electrodes, a CCFL emits electrons without heating the cathode. This difference in the emission method provides better energy savings and lower costs.

Research and Development of Alternative Energy

The tide has been seen as moving toward a low-carbon society, and the Itochu Enex Group has been conducting research and development and market surveys concerning the distribution of alternative energy.

Biofuels

Investigative research is being conducted on biofuels as carbon-neutral alternative fuels that can contribute to the reduction of CO_2.

We are investigating the viability of the business by considering a variety of perspectives, such as the feasibility of procuring biomass material in Japan, the issue of interfering with food production and the effectiveness of CO_2 reduction using biodiesel, which serves as an alternative or a mixed fuel of diesel and heavy fuel oil, and bioethanol, which is mixed with gasoline.

We are also considering the procurement and usage of wood-based biomass materials as an alternative to solid fuels (specifically coal), and working to conduct investigative research on converting waste biomass (sewage sludge, etc.) into fuel and engaging in activities to develop potential users.

In addition to responding to the need for an alternative energy source to replace oil, we have remained sensitive to legal steps by the government (such as the standardization of mixed biodiesel), and we will actively develop new businesses handling biomass fuels.

Toward the realization of a hydrogen society

The Company is currently preparing for hydrogen energy such as fuel cell vehicles to come to the forefront by participating in joint hydrogen and fuel cell demonstration projects with other companies, and continuing with the JHFC Sagamihara Hydrogen Station, which provides fuel cell supply and management for fuel cell vehicles.

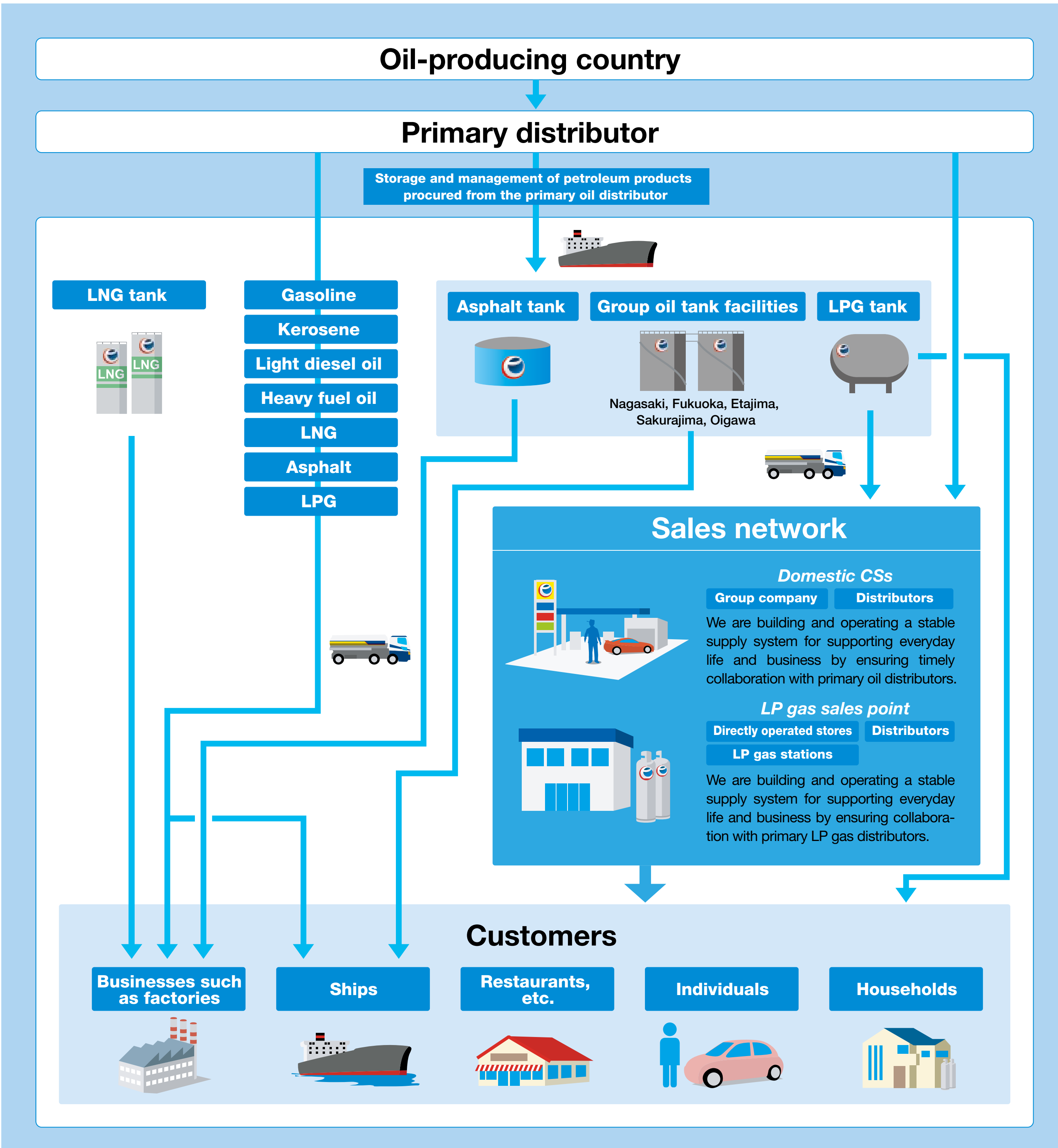
Equipment at a hydrogen station

Hydrogen is believed to be a key energy source for the realization of a low-carbon society. However, because hydrogen manufacturing methods and user devices have not yet spread due to such aspects as cost, efficiency and handling safety, a variety of organizations and enterprises are continuing with research and development through collaboration among industry, government and academia. The Group has high hopes for the potential of hydrogen, and we will work with outside research institutes, among other organizations, to find the most effective means of commercialization.

Business Flow of the Enex Group

Flow of delivering energy products to our customers

We ensure important energy products that contribute to society and living are safely and reliably delivered from the hands of manufacturers to our customers.

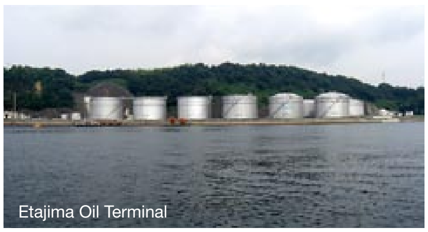


Enex Group Facilities

Terminals serving as the bases of our logistics operations

The Group manages and operates energy facilities that have given substantial consideration to ensuring safety and protecting the environment. At these facilities, we are striving to improve the efficiency of our operations, and to efficiently procure, store and deliver products to the market while considering the balance between supply and demand.

Petroleum product supply bases


Etajima Oil Terminal


Oigawa Oil Terminal

Nagasaki Gas & Oil Terminal

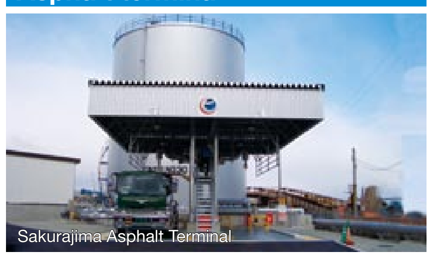
	Location	ISO 14001 Certification	Number of Tanks	Tank Applications	Tank Capacity
Etajima Oil Terminal	Etajima-shi, Hiroshima	Acquired in 1998	8	Petroleum products (4) / caustic soda (4)	144,000KL
Oigawa Oil Terminal	Yaizu-shi, Shizuoka	Acquired in 2003	10	Petroleum products (2) / chemicals (8)	15,000KL
Nagasaki Gas & Oil Terminal	Nagasaki-shi, Nagasaki	Acquired in 2001	6	Petroleum products	4,800KL
Fukuoka Oil Terminal	Chuo-ku, Fukuoka-shi	Acquired in 2001	10	Petroleum products	11,200KL
Sakurajima Oil Terminal	Konohana-ku, Osaka-shi	Acquired in 2001	12	Gasoline, kerosene, diesel, etc.	3,600KL

LP gas storage facility


Nagasaki LP Gas Tank

Location	Nagasaki-shi, Nagasaki
ISO 14001 Certification	Acquired in 2001
Number of Tanks	3 (1spherical)
Tank Applications	LP gas
Tank Capacity	1,800 tons

Asphalt terminal


Sakurajima Asphalt Terminal

Location	Konohana-ku, Osaka-shi
ISO 14001 Certification	Acquired in 2001
Tank Capacity	2,500 tons

Characteristics

Utilizes an automatic weight control system enabling the simultaneous loading of two trucks

Other asphalt terminals Kushiro, Rumoi, Himeji, Fukuoka, Sasebo, Kajiki, etc.

City gas supply facility

Nakatsu Gas LNG Tank

Location	Nakatsu-shi, Oita
ISO 14001 Certification	Acquired in 2004
Tank Capacity	300KL

Characteristics

Thermal conversion: Completed in fiscal 2005

High-pressure gas stations


Itochu Industrial Gas Co., Ltd., Kanagawa Branch

Location	Sagamihara-shi, Kanagawa
Tank Applications	Industrial high-pressure gas Medical high-pressure gas
Tank Capacity	83 tons

Characteristics

Also equipped with filling equipment for medical gas

Other high-pressure gas stations

Kita-kanto Branch, Chiba Branch, Nippo Sales Office (Kyushu), etc., of Itochu Industrial Gas

Kerosene centers

Location	Mainly in the Hokkaido region
Number	8

Characteristics

There is high demand for kerosene in cold regions, and these centers are mainly located in the Hokkaido region.

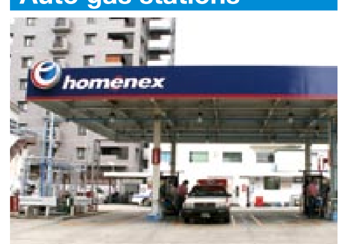
LP gas stations

Location	Nationwide
Number	47

Characteristics

Facilities for filling up LP gas canisters delivered to homes and stores

Auto gas stations



Location	Nationwide
Number	52

Characteristics

Facilities for providing gas fuel to low-pollution, environment-friendly LP gas vehicles

Corporate Profile

Corporate Information

Company Name	ITOCHU ENEX CO., LTD.
Head Office Address	Granpark Tower 3-4-1 , Shibaura, Minato-ku, Tokyo 108-8525, Japan
Established	January 28, 1961
Paid-in Capital	19.87767 billion Japanese yen
Business Divisions	Industrial Material Division Car-Life Division Energy Trade Division Home-Life Division
Principal Locations	Marketing offices: Hokkaido, Tohoku, Kanto, Shuto-ken, Chubu, Kansai, Chugoku & Shikoku, Kyushu *Other offices are located in regions throughout the country.
ITOCHU ENEX Group	Consolidated subsidiaries: 18 Non-consolidated subsidiaries (covered by the equity method): 19 Affiliates (covered by the equity method): 19 (As of March 31, 2010)
Number of Employees	615 (simple substance basis) (including 165 at subsidiaries) 3,528 (on a consolidated basis) (As of March 31, 2010)
Stock Exchange Listing	Tokyo (First Section) Stock name : ENEX Stock code: 8133
Main Financial Institutions	The Sumitomo Trust & Banking Co., Ltd. Sumitomo Mitsui Banking Corporation Resona Bank Mizuho Corporate Bank

ITOCHU ENEX Group

- Tohoku Tank Firm Co., Ltd.
- Itochu Petroleum Sales Co., Ltd.
- Enex Auto Co., Ltd.
- Enex Petroleum Sales Higashi-Nihon Co., Ltd.
- Pastec Co., Ltd.
- Kohnan Fleet Co., Ltd.
- Enex Petroleum Sales Nishi-Nihon Co., Ltd.
- Kyushu Energy Co., Ltd.
- Kokura Enterprise Energy Co., Ltd.
- Itochu Industrial Gas Co., Ltd.
- Enex LNG Sales Co., Ltd.
- Itochu Enex Support Co., Ltd.
- 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.

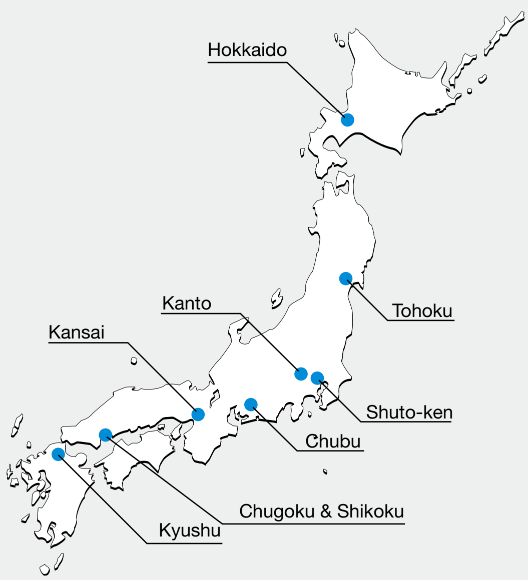
*The companies of which Itochu Enex Co., Ltd. owns more than 50% of their shares are listed here.

Organization Chart

- General Meeting of Shareholders
  - Supervisory Board Corporate Auditor
- Board of Directors
- President
  - Chief Information Officer
  - Chief Compliance Officer
  - Chief Financial Officer
  - Industrial Material Division
    - Planning & Administration Department
    - Energy Solution Department
      - Alternative Energy Business Development Office
    - Asphalt Department
    - Industrial Energy Sales Department
    - Bunker Sales Department
  - Car-Life Division
    - Planning & Administration Department
    - Fleet Sales Department
    - Hokkaido Branch
    - Tohoku Branch
    - Kanto Branch
    - Shuto-ken Branch
    - Chubu Branch
    - Kansai Branch
    - Chugoku & Shikoku Branch
    - Kyushu Branch
    - Supply Administration Department
  - Energy Trade Division
    - Planning & Administration Department
    - Products Trade & Logistics Department
    - Tanker Department
    - Marine Fuel Department
  - Home-Life Division
    - Planning & Administration Department
    - Sales Promotion Department
    - Security System Department
    - Nakatsu-Gas Branch
  - Corporate Administration Division
    - Legal & Credit Control Department
    - Finance & General Accounting Department
      - Internal Control Office
    - IT Planning Department
  - Corporate Planning & Development Division
    - Human Resources & General Affairs Department
    - CSR, Compliance & Public Relations Department
      - IR, Public Relations Office
    - Fuel Cell Solar & Electric Vehicle Business Department
    - Corporate Planning Department
  - Audit Department

Branches

*Other branches are located in regions throughout the country.



Terminals

- Kushiro Asphalt Terminal
- Rumoi Asphalt Terminal
- Oigawa Oil Terminal
- Sakurajima Oil Terminal
- Etajima Oil Terminal
- Fukuoka Oli Terminal
- Fukuoka Asphalt Terminal 1
- Fukuoka Asphalt Terminal 2
- Nagasaki Gas & Oil Terminal
- Sasebo Asphalt Terminal
- Kajiki Asphalt Terminal

Training Center

- Itochu Enex Central Training Center

Corporate Governance

Promoting healthy, highly transparent management while strengthening corporate governance based on the Code of Conduct "Be Ethical."

Basic Policies on Corporate Governance

Under the philosophy of the Code of Conduct—"Be Ethical (Reliability and sincerity, creativity and flair, transparency and integrity)" and the Declaration of the Group Code of Conduct, Company management always considers such priorities as ensuring thorough compliance, emphasizing shareholders' interest, ensuring transparency in business management and promoting swifter decision making. It also works to strengthen corporate governance on an ongoing basis in response to the changing business climate.

The Company has also introduced an executive officer system to separate the execution of operations from decisions on basic management policies made by the Board of Directors, and to accelerate decision making by management.

Reasonable and highly transparent management system

The Company has implemented an executive officer system to segregate the functions for decision making on basic management policies and for the execution of duties on business affairs by the Board of Directors and to encourage quicker managerial judgments.

Board of Directors

Regular meetings of the Board of Directors are held monthly and extraordinary meetings are held as required. At meetings of the Board of Directors, decisions are made and important matters are reported with regard to the execution of business affairs, and the duties of the respective directors are supervised by the Board at the same time. Two outside directors are selected and dispatched from Itochu Corporation to ensure an objective and neutral approach to the execution of the operational duties performed by the directors.

Board of Corporate Auditors

The Company has implemented a corporate auditor system. To strengthen the management surveillance function and the audit function, three of the four corporate auditors are appointed from outside the Company, one of whom is a part-time auditor (outside auditor) and a lawyer.

Management Advisory Conference

The Management Advisory Conference was established as an advisory body for the president. Its constituent members are standing directors, general managers of the respective divisions, heads of management groups and the General Manager of the Corporate Planning Department. The Management Advisory Conference holds discussions on general management policies and important managerial matters on which the president will make the final business judgment.

Streamlined Internal Control-related Systems

Pursuant to the Basic Principles on Internal Control Systems, which were revised at the Board of Directors' meeting held on May 19, 2008, the Company streamlined its accounting rules, regulations on consolidated financial statements and other relevant internal regulations. Furthermore, the Company complies with applicable accounting standards, laws and regulations and has established internal systems to ensure the legality and propriety of its financial reporting.

The Internal Control Office, which was established in fiscal 2007 as a dedicated organization, periodically evaluates and improves the operating status of the internal systems to ensure the propriety of financial reporting and so forth.

Internal Control Report for fiscal 2009

The Company filed the Internal Control Report regarding financial reporting for fiscal 2009 on June 22, 2010, with the Director of the Kanto Local Finance Bureau, in accordance with the Japanese Financial Instruments and Exchange Law.

The Basic Principles on Internal Control Systems are posted on our website:

http://www.itcenex.com/corporate/internal.html

The Internal Control Report for fiscal 2009 is posted on our website:

http://www.itcenex.com/ir/pdf/security/naibu_20100622.pdf

Appointment of Independent Director as Outside Auditor

In response to the "Independent Director/Auditor System" introduced by the Tokyo Stock Exchange in March 2010, one independent director was nominated from among the outside auditors and appointed to further improve corporate governance. Notification of this appointment was filed with the Tokyo Stock Exchange on March 31, 2010. The independent director will contribute to strengthening the transparency and soundness of management, wholly independent from the Company's management.

Reinforcement of the Business Administration System

The Company quickly and precisely handles important management-related issues. The Company also strives to reinforce its business administration system and raise the efficiency and effectiveness of organizational operations in the pursuit of sound growth and development of the Group.

In April 2010, the Corporate Administration Division and the Corporate Planning & Development Division were established to respond to the changing business environment and provide support to operating divisions.

Corporate Administration Division

This division comprises the Legal & Credit Control Department, the Finance & General Accounting Department and the IT Planning Department, which support the activities of operating divisions from an administrative perspective.

Corporate Planning & Development Division

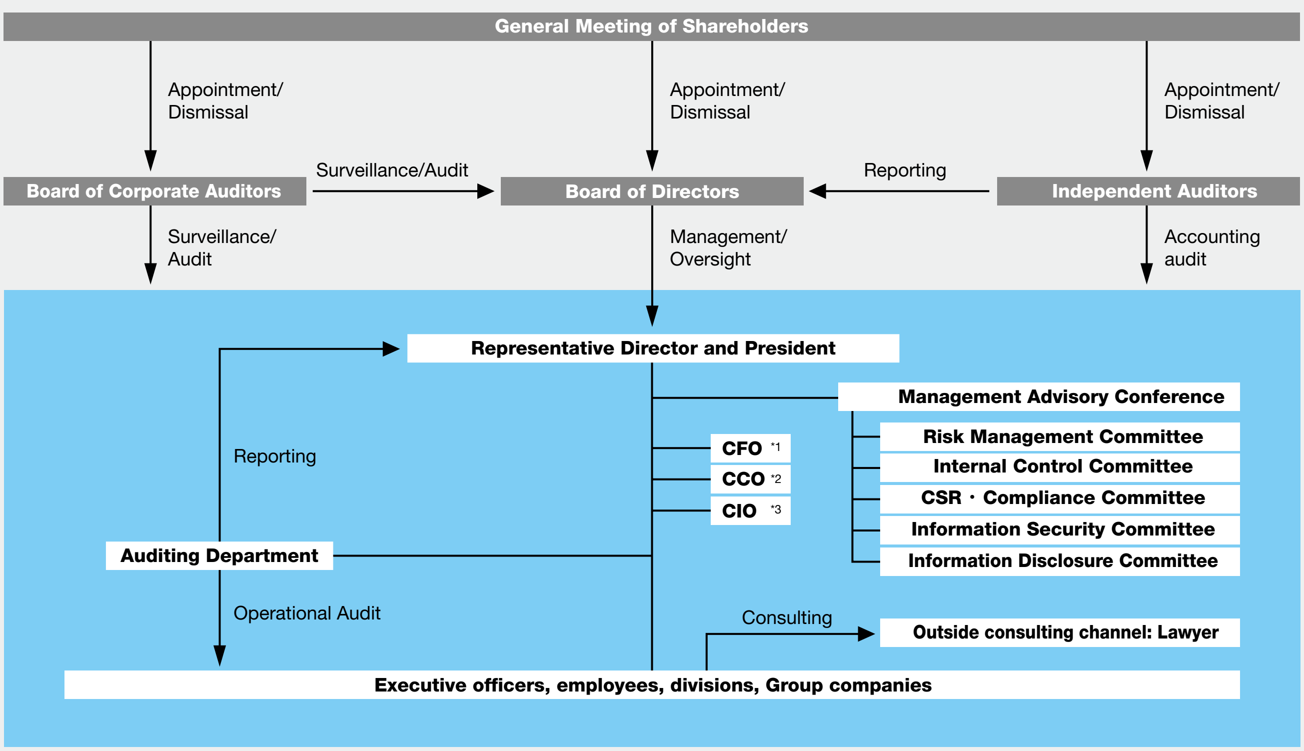
Comprising the Human Resources & General Affairs Department, the CSR, Compliance & Public Relations Department, the Fuel Cell Solar & Electric Vehicle Business Department and the Corporate Planning Department, this division provides cross-organizational support to all divisions and creates new value.

Note: Information on the newly restructured organization can be found in the Corporate Profile.

Group Management Conference

The main purpose of the Group Management Conference is to clarify the corporate approach to the consolidated management of the Group, promote Groupwide strategies and follow up on the status of the targets set out in the business plan. Chaired by the president, the Conference consists of the executive officers, the presidents of the Group companies and other attendees who are designated by the chairperson. The Group Management Conference is convened, as required, by the chairperson four times every year, in principle.

Corporate Governance System



Notes: *1. CFO: Chief Financial Officer *2. CCO: Chief Compliance Officer *3. CIO: Chief Information Officer

Committees

Several committees have been established as advisory bodies to help the Management Advisory Conference conduct rational decision making. The reports submitted by the respective committees reflect realistic assessments on the efficiency and propriety of activities and all aspects of legality and propriety to assist in the Management Advisory Conference's decision making. The committee chairpersons are appointed by the president from among the chief officers and general managers of the respective divisions, in principle.

Risk Management Committee

The main purpose of the Risk Management Committee is to promote appropriate risk management policies by carefully identifying the risks for the overall Group and thoroughly evaluating them. The Committee is chaired by the president and consists of the executive officers and other attendees who are designated by the chairperson, and its meetings are convened by the chairperson, as required.

Internal Control Committee

The Internal Control Committee deliberates on important issues relating to internal controls and reports its views to the Management Advisory Conference.

CSR・Compliance Committee

The CSR・Compliance Committee deliberates on general CSR issues and reports its views to the Management Advisory Conference.

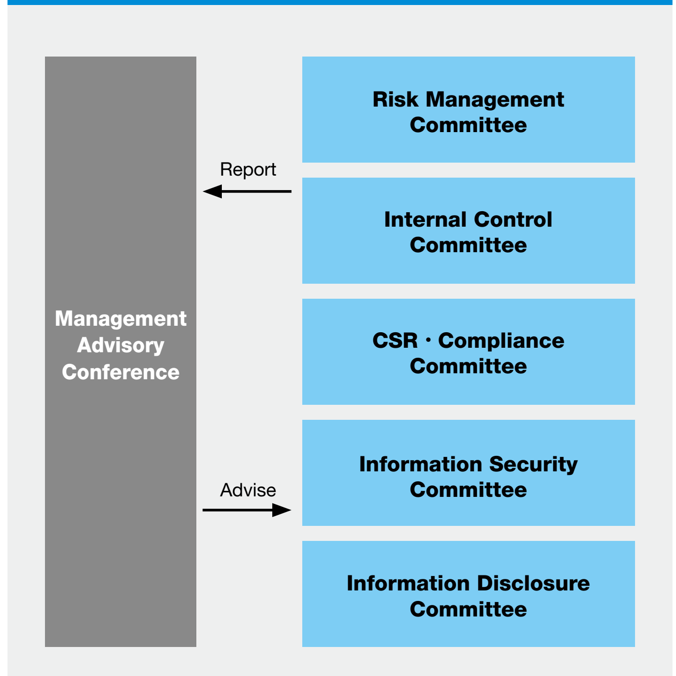
Information Security Committee

The Information Security Committee deliberates on issues relating to general information security, including the Company's own important corporate information and personal information regarding business partners and individual customers, and reports its views to the Management Advisory Conference to reinforce our information security-related capabilities on an ongoing basis.

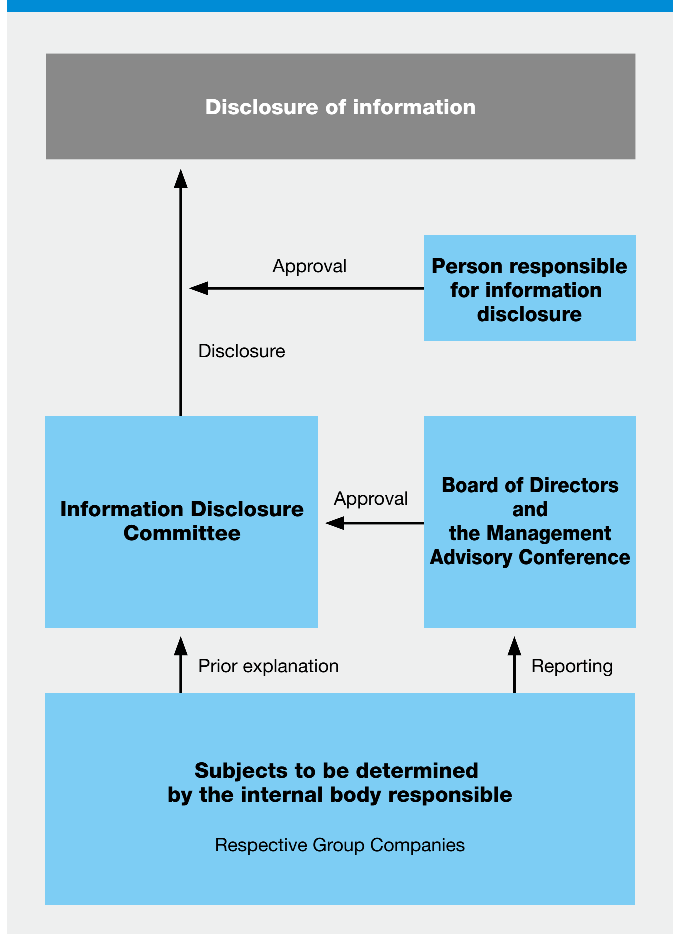
Information Disclosure Committee

The Information Disclosure Committee examines the propriety and timing of disclosure, the content requiring judgment for disclosure and the content of the annual securities report and endeavors to appropriately disclose the Company's corporate information as quickly as possible.

Positioning of
Management Advisory Conference and Committees



Information Disclosure System



Directors and Officers

(As of June 23, 2010)

Representative Director and President

Akira Kodera

Representative Director and
Senior Managing Officer

Hiroshi Arai

Duties Officer for the Energy Trade Division
and President for Kokura Enterprise Energy Co., Ltd.

Representative Director and
Senior Managing Officer

Akira Doi

General Manager for Corporate Planning &
Development Division
and Chief Compliance Officer

Director and Managing Officer

Kenji Moriya

General Manager for the Home-Life Division

Director and Managing Officer

Yutaka Tanaka

General Manager for the Corporate
Administration Division
and Chief Financial Officer
and Chief Information Officer

Director and Managing Officer

Tetsumi Hiraoka

General Manager for the Energy Trade Division

Director and Managing Officer

Tatsunosuke Nagao

General Manager for
the Industrial Material Division
and General Manager for the Planning &
Administration Department

Director and Managing Officer

Hideo Nakamura

General Manager for the Car-Life Division

Director

Masanobu Takagi

Executive Officer
Chief Operating Officer
Energy Division
Energy, Metals & Minerals Company
ITOCHU Corporation

Director

Toshihisa Fuse

General Manager
International Energy Trading Dept. 2
Energy, Metals & Minerals Company
ITOCHU Corporation

Standing Corporate Auditor

Shuichi Morozumi

Standing Corporate Auditor

Yoshikazu Ishii

Corporate Auditor

Shuichi Nanba

Lawyer representing the Momoo, Matsuo &
Nanba Legal Office

Corporate Auditor

Shuichi Okazaki

Chief Financial Officer
for the Energy, Metals & Minerals Company,
ITOCHU Corporation

Executive Officer

Osamu Takatsuji

General Manager for the Audit Department

Executive Officer

Koji Tsutsumi

Assistant General Manager,
General Manager for the Supply Administration
Department and
General Manager for the Fleet Sales
Department in the Car-Life Division

Executive Officer

Hiroyuki Yumeno

General Manager for the Finance &
General Accounting Department in the
Corporate Administration Division

Executive Officer

Fumio Shimizu

General Manager for the Planning &
Administration Department in the Car-Life Division

Executive Officer

Hiroaki Soiri

General Manager
for the Marine Fuel Department
in the Energy Trade Division

Executive Officer

Tsukasa Nakamura

General Manager
for the Industrial Energy Sales Department
in the Industrial Material Division

Executive Officer

Hiroto Jinnouchi

Manager
for the Kyushu Branch
in the Car-Life Division

Executive Officer

Kenjiro Nonaka

Manager for the Nakatsu-Gas Branch
in the Home-Life Division

Executive Officer

Koji Yamada

Manager for the Chubu Branch
in the Car-Life Division

Executive Officer

Hideaki Sagai

Manager for the Chugoku &
Shikoku Branch in the Car-Life Division

Executive Officer

Hiroshi Hayashida

General Manager
for the Fuel Cell Solar &
Electric Vehicle Business Department
in the Corporate Planning & Development Division

Company Time Line

1961 Jan. The Company is founded with capital of ¥60 million when Itochu Sekiyu K.K., a subsidiary of Itochu Corporation, is split up (Itochu Sekiyu K.K. was originally founded in January 1949 as Nishinihon Beiyu K.K., changing its name in April 1951). Its purpose is to sell the products manufactured 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.).

1965 May The Company acquires the stock of Oita Kyuseki Hanbai Co., Ltd. (currently, a consolidated subsidiary).

1970 Mar. It acquires the stock of Unoshima Sansuiso K.K., and enters the high-pressure gas market.

1971 Apr. It boosts its capital from ¥0.6 billion to ¥1 billion.

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.

1978 Feb. It is listed on the Second Section of the Osaka Securities Exchange and the Tokyo Stock Exchange.

1979 Sep. It is promoted to the First Section of the Osaka Securities Exchange and the Tokyo Stock Exchange.

1983 Jun. Its head office moves from Osaka to Tokyo.

1990 May The Company's high-pressure gas division is spun off to form Itochu High-Pressure Gas Co., Ltd. (currently, Itochu Industrial Gas Co., Ltd.).

Jul. The Company takes over the goodwill of Itochu Oil Co., Ltd., the internal oil sales subsidiary of Itochu Corporation.

1996 Feb. Its headquarters moves to 1-24-12, Meguro-ku, Tokyo, Japan.

1997 Oct. The Company acquires the stock of Tokai Corporation, which is in the process of being restructured.

Dec. It acquires the stock of Seibu Petroleum Corporation (a consolidated subsidiary at the end of the fiscal year).

1998 Apr. The Company's "CicoMart" division is spun off to form CicoMart Co., Ltd.

Sep. Itochu Fine Gas Co., Ltd. buys out Itochu High-Pressure Gas Co., Ltd. and is renamed Itochu Industrial Gas Co., Ltd. (currently, a consolidated subsidiary).

1999 Mar. The Company acquires additional stock of Itochu Petroleum Sales Co., Ltd. (currently, a consolidated subsidiary) and becomes its largest shareholder.

2000 Apr. It buys out Seibu Petroleum Corporation and establishes the Tokyo Seibu branch office.

Oct. A court declares the completion of restructuring at Tokai Corporation.

2001 Mar. The Company takes over a gas supply service in Nakatsu City, Oita Prefecture, with the goal of breaking into the city gas market.

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.

Nov. The Company sells off the stock of CicoMart Co., Ltd.

2002 Feb. It acquires additional stock of Sinanen Co., Ltd. (currently, an affiliate covered by the equity method) and becomes its largest shareholder.

2003 Oct. It delists itself from the Osaka Securities Exchange.

2004 Apr. It scraps the existing branch-office system in favor of a system organized around business divisions.

2005 May Takigawa Enex Co., Ltd. (currently, Itochu Enex Home-Life Nishi-Nihon Co., Ltd.) takes over the business of Takigawa Industries Co., Ltd. and commences operations.

Jul. The Company acquires the stock of Kokura Enterprise Vehicle Service Co., Ltd. (currently, consolidated subsidiary Kokura Enterprise Energy Co., Ltd.).

Sep. It sells off the stock of Tokai Corporation.

Oct. Kokura Enterprise Energy Co., Ltd. takes over the business of Kokura Enterprise Co., Ltd. and commences operations.

Oct. The Itochu Enex Group adopts a single unified logo, the Enex Mark.

2006 May ITOCHU ENEX CO., LTD. establishes the basic policy for its internal control system.

Sep. ITOCHU ENEX CO., LTD. and Kokura Kosan Energy Co., Ltd., a wholly owned subsidiary, jointly take over the petroleum business of Yanase Petroleum Sales Co., Ltd.

Oct. Enex Clean Power Energy Co., Ltd., a wholly owned subsidiary, concludes a special agency agreement with Hyundai Motor Japan, incorporated in Japan, and commences domestic sales of LPG automobiles manufactured by Hyundai Motor Company.

2007 Apr. ITOCHU ENEX CO., LTD. acquires the stock of Itochu Energy Marketing Co., Ltd., a firm to be operated as a wholly owned subsidiary.

Apr. Ecore Co., Ltd., the largest LPG sales company in the Kyushu area, is founded through the consolidation of Itochu Enex Home-Life Kyushu (a wholly owned subsidiary of the Company) and IDEX GAS K.K. (a wholly owned subsidiary of Shin-Idemitsu Co., Ltd.), and commences operations. (Investment ratio: the Company 51%, Shin-Idemitsu 49%)

2008 Feb. JAPAN ENERGY Corporation, ITOCHU Corporation, OSAKA GAS CO., LTD., and NISSHO PETROLEUM GAS CORPORATION, come to a basic agreement to begin the reorganization and integration of the LPG business.

Sep. Agreements are made to separate the oil sales business run by Kohnan Corporation and the stocks of Kohnan Fleet Corporation, transferring them to ITOCHU ENEX CO., LTD.

Oct. Agreements are made to separate the petroleum product trading business run by ITOCHU corporation, and the petroleum product logistics business run by ITOCHU Petroleum Japan Ltd. from the companies and transferring the businesses to ITOCHU ENEX CO., LTD. We then started its operations as a trade business.

Oct. Its head office moves to 3-4-1, Shibaura, Minato-ku, Tokyo.

2009 Apr. JAPAN GAS ENERGY CORPORATION (JGE), a new company that was established jointly with JAPAN ENERGY Corporation and NISSHO PETROLEUM GAS CORPORATION to integrate the distribution and wholesale functions of LPG, starts operations.

2011 Jan. The Company will celebrate its 50th anniversary.

Our Action Guidelines

Corporate Philosophy

Partnering with society and ordinary people

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

Code of Conduct

Be Ethical

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

Declaration of the Group Code of Conduct

Relationship with customers

1. Safety

Safe and secure transactions

We take measures to alleviate any risk of accidents and/or disasters to ensure public safety and provide customers with reliable and secure products and services.

Quality management of products and merchandise

We promise to maintain quality and ensure the safety and stable provision of the merchandise that we handle.

2. Sincere response

Improvement of service quality

We strive to satisfy customers at all times.

Management of customer information

We appropriately use information relating to our customers only within the scope for which consent was obtained to appropriately manage and prevent leaks of such information.

Handling of accidents and complaints

We take measures to prevent any risk of accidents and/or complaints and to preclude any recurrences.

Relationship with business partners

Fair transactions

We conduct commercial activities under the principle of fair and free competition and maintain sound, reasonable and transparent relations with the political world and administrative bodies.

Management of corporate information

We take appropriate control of corporation information including that relating to our business partners and suppliers and adequately protect their confidential information.

Relationship with suppliers

Fair purchasing activity

We conduct fair purchasing activities with our suppliers.

Compliance with the Anti-Monopoly Laws

We strictly observe public rules for business transactions and never participate in fraudulent or dishonest acts such as bid-rigging, cartels and/or any suspicious misconduct that might provide an unfair impression.

Criteria for procurement

We carefully select our suppliers in accordance with clear and objective standards including their observance of social norms and social stance toward environmental preservation.

Relationship with employees

Respect of human rights

We respect the individual human rights of officers and employees and never discriminate by reason of gender, ethnicity, origin, religion or value, and we do not infringe on their privacy.

Respect of health and safety

We give full consideration to the health and safety of all employees.

Comfortable workplace environment

We comply with the applicable laws relating to hazardous materials and aim to create a safe and comfortable workplace environment.

Fair placement and employment

We place human resources fairly and are committed to the practice of long-term employment.

Appropriate personnel evaluation and treatment

We pursue transparency in terms of personnel evaluation and treatment and properly conduct such activities.

Use of dedicated consulting channels

We immediately inform the dedicated consulting staff of any infringement against the Declaration of the Group Code of Conduct, whether such a violation is committed by ourselves or when we find an infringement by any other employee that cannot be directly pointed out face-to-face.

Prohibition of sexual and power harassment

We comply with the Equal Employment Opportunity Law to eliminate discrimination between men and women and prevent the occurrence of sexual and power harassment.

Relationship with corporate properties

Protection of properties and assets

We use corporate properties and assets in an efficient manner and protect them appropriately.

Appropriate accounting procedures

We comply with laws and internal regulations to follow proper and transparent accounting procedures.

Management of confidential information

We manage confidential information thoroughly so as to prevent leaks.

Relationship with local communities

Social contribution programs

We intend to contribute to programs that support and/or develop local communities such as participation in volunteer activities as a good corporate citizen.

Dialogue with citizens

We maintain close communications with citizens and take part in revitalization projects in local communities.

Relationship with administrative bodies

We maintain fair and appropriate relations with public servants and administrative bodies and never conduct such illegal acts as committing bribery or providing business entertainment or gifts.

Environmental preservation activities

Continuing environmental activities

We adhere to strict environmental considerations through our normal business operations as a good corporate citizen.

Environmental issues in association with our business

We actively promote environment-friendly businesses.

Environmental management

We comply with environment-related laws and ISO standards and address natural preservation through our environmental management system.

Procurement by green purchasing

We endeavor to conduct procurements through green purchasing in promoting our business operations.

Relationship with shareholders and investors

Precise information disclosure

We communicate clearly with shareholders and investors by disclosing precise information in a timely manner.

Stable distribution of profits

We endeavor to improve operating performance and stably distribute profits with respect to shareholders.

Active IR and PR activities

We endeavor to enhance shareholder return by conducting active IR and PR activities.

Moderation in corporate behavior

Compliance

We observe public and corporate rules and use common sense when taking action. Our officers and managerial staff take the initiative in executing any action with good common sense.

Prohibition of insider transactions

We never perform any act in violation of insider transaction restrictions.

Giving and receiving gifts

We give or receive gifts within the scope of common sense and socially accepted norms.

Compliance with the Political Funds Control Law

We comply with the Political Funds Control Law and the Public Office Election Law and properly handle any relevant issues.

Prohibition of relationships with antisocial forces

We completely avoid relations with any antisocial force in whatever situation at the Group level.

Financial Section

Management's Discussion and Analysis

Analysis of Consolidated Business Results for the Fiscal Year

Net sales

Demand declined in the petroleum distribution industry, and the supply and demand environment remained difficult, owing to such factors as persistently high petroleum product prices, consumers saving more money and driving less, and heightened environmental awareness. Consolidated net sales for the fiscal year under review totaled ¥1,083,761 million, down ¥80,947 million from the previous fiscal year. Sales volume rose again following the gains posted in the previous fiscal year, as a result of a 13.9% increase in the Group's petroleum product turnover due to the introduction of new lines and an increase in new customers, coupled with the contribution of the Energy Trade Division. Despite these favorable developments, revenue decreased due to a fall in the average unit price compared with the previous fiscal year.

Operating income

Consolidated operating income totaled ¥6,096 million, down ¥3,785 million from the previous fiscal year. The primary reason for the decrease was the inability to cover the decline in profit margin despite efforts to reduce expenses.

Net income

Consolidated net income totaled ¥4,360 million, down ¥1,059 million from the previous fiscal year. Among the reasons behind this decline were the ¥3,222 million fall in ordinary income and a ¥2,415 million gain on change in equity.

We aim to improve asset and capital efficiency in our efforts to move to the "next stage" from a financial perspective

While the environment surrounding the Itochu Enex Group in fiscal 2009 (the year ended March 31, 2010) included great upheaval within the industry, owing to the restructuring of the oil industry and the implementation of a new wholesale pricing system, we also continued to face difficulties with respect to demand, owing to consumers' efforts to save money and drive less, and to a heightened awareness of the environment, with a growing number of consumers becoming increasingly sensitive to CO_2 emissions. The operating environment is expected to remain severe in fiscal 2010, the final year in the Group's medium-term business plan, positioned as "the year to move forward to the next stage," in which we will fine-tune our efforts to realize this goal through strengthening and expanding the foundations of our core businesses. Key indicators have been revised since the formulation of the medium-term business plan because of the changes in the business environment. However, we intend to aggressively improve asset and capital efficiency with the management indicators of ROA (return on assets), ROE (return on equity) and EPS (earnings per share).

Yutaka Tanaka
Director and Managing Officer,
Chief Financial Officer

Analysis of Consolidated Financial Conditions during the Fiscal Year

Current assets

Current assets stood at ¥160,630 million as of the end of the fiscal year under review, an increase of ¥18,740 million compared with the end of the previous fiscal year. The major factor contributing to this increase was an increase of ¥32,163 million in trade notes and trade accounts (receivables) due to the rise in crude oil prices, despite a decrease of ¥15,620 million in cash and cash equivalents as a result of the repayment of loans payable and payment of income taxes.

Noncurrent assets

Noncurrent assets stood at ¥102,467 million as of the end of the fiscal year under review, a decrease of ¥3,231 million compared with the end of the previous fiscal year. This included a ¥654 million decrease in property, plant and equipment, a ¥2,577 million decline in investments and other assets.

Depreciation was the primary factor in the decline in property, plant and equipment and intangible assets, and no sales of significant equipment or assets were made. The decrease in investments and other assets can mainly be attributed to a ¥1,917 million decrease in long-term loans and a ¥645 million decrease in deferred tax assets, despite investment securities increasing by ¥1,248 million due to factors such as the acquisition of Japan Gas Energy Corporation.

Current liabilities

Current liabilities stood at ¥140,178 million as of the end of the fiscal year under review, an increase of ¥23,282 million compared with the end of the previous fiscal year. The major factor contributing to this rise was a ¥25,796 million increase in trade notes and trade accounts (payables), due to the same reason as that for the increase in trade notes and trade accounts (receivables), despite decreases of ¥3,831 million in short-term bank loans.

Long-term liabilities

Long-term liabilities stood at ¥30,861 million as of the end of the fiscal year under review, a decrease of ¥8,943 million compared with the end of the previous fiscal year. This was primarily due to decreases of ¥9,863 million in long-term debt, despite increases of ¥314 million in liability for retirement benefits.

Equity

Equity stood at ¥92,058 million as of the end of the fiscal year under review, an increase of ¥1,171 million compared with the end of the previous fiscal year. Retained earnings climbed ¥2,255 million, with unrealized loss on available-for-sale securities increasing ¥111 million and treasury stock (at cost) decreasing ¥1,301 million. The increase in retained earnings was chiefly due to the posting of net income for the year of ¥4,360 million, which was partly offset by a decline of ¥1,869 million due to the payment of cash dividends. The reason for acquiring treasury stock was to implement agile capital policy in response to changes in the business environment. The increase in the unrealized gain on available-for-sale securities was mainly due to the rise in the value of investment securities held by the Company resulting from the rise in stock prices.

Overview of cash flow

Cash and cash equivalents stood at ¥27,598 million as of the end of the fiscal year under review, a decrease of ¥15,621 million compared with the end of the previous fiscal year.

Net cash provided by operating activities totaled ¥4,962 million, down ¥24,302 million year on year. This was mainly due to net income being partly offset by cash and cash equivalents required for increases in inventories and notes and accounts payable.

Net cash used in investing activities totaled ¥3,613 million, up ¥1,909 million year on year, which included the acquisition of property, plant and equipment in the form of capital investment in CSs.

Net cash used in financing activities totaled ¥16,988 million, down ¥7,853 million year on year. This was mainly due to the repayment of interest-bearing debt and the payment of cash dividends.

Dividend Policy

As a matter of basic policy on profit sharing, Itochu Enex is committed to continuously providing steady dividends to shareholders, with a consolidated payout ratio of 30% or more as a benchmark. To this end, Itochu Enex endeavors to reduce total assets and employ well-balanced funds within the Group from medium- and long-term perspectives.

The Company abides by a basic policy of distributing dividends from surplus twice per year with an interim dividend and a year-end dividend. The decision-making entities regarding dividends from surplus are the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend.

The Company paid a year-end dividend of ¥8 per share for the fiscal year under review. For fiscal 2010, ending March 31, 2011, the Company plans to pay a dividend of ¥16 per share (including an ¥8 per share interim dividend).

As for internal reserves, it is the Company's basic policy to channel these into funds for business investment to strengthen the Company's business platform and further increase the size of its profits.

Itochu Enex has determined in its Articles of Incorporation that "The Company may, by a resolution of the Board of Directors, pay interim dividends, with September 30 of every year as the record date to determine qualified beneficiaries."

Current Status and Outlook of Business Strategies

Under the corporate philosophy of "Partnering with society and ordinary people—in the energy field, in the car, in the home," the Itochu Enex Group has four core domestic business divisions: the Industrial Material Division to meet all the energy needs of industries; the Car-Life Division to support all kinds of car-related user needs; the Energy Trade Division to provide global trading of petroleum products and logistics functions for petroleum products; and the Home-Life Division to provide diverse lifestyle-related services closely related to local communities. As an "integrated energy proposal enterprise," the Group intends to assume a social mission of providing various forms of energy to meet consumer and local needs by handling "energy for all applications, whether as a key component of social infrastructure or as a means of enriching people's lives." In addition, as the Group handles various energy sources, it intends to contribute to the development of a sustainable society by exercising responsible environmental stewardship, such as greater consideration for the environment, which is a constant contemporary theme, enhancing security measures and reinforcing CSR practices and compliance procedures.

Targeted consolidated management indicators

Based on the Group's medium-term business plan, Core & Synergy 2010, effective from fiscal 2008, the year ended March 31, 2009, we are proceeding to improve asset and capital efficiency through ROA, ROE and EPS indicators.

Medium- and long-term management strategy

The Itochu Enex Group has formulated the new Core & Synergy 2010 medium-term business plan for the three-year period from fiscal 2008 through fiscal 2010, to establish a new growth trajectory, based on the favorable results of the Creation 2008 medium-term vision (fiscal 2004 through fiscal 2008), while adapting to the changing business environment during the period. The Group's medium-term business plan has been positioned as a means for rebuilding its business foundations and establishing a path toward growth by acquiring new management resources, functions and business models.

Overview and Outlook of the Group's Core & Synergy 2010 Medium-Term Business Plan

1. Basic Policy

By fostering Group unity, the Itochu Enex Group endeavors to develop global businesses horizontally and vertically, strengthen core businesses and create synergies to double its earnings

2. Title

Group Medium-Term Business Plan

Core & Synergy 2010

To the next stage via the implementation of reforms

3. Period

Three years (fiscal 2008 through fiscal 2010)

Outlook for the Coming Fiscal Year

The energy industry surrounding the Group has been going through a tumultuous period, greatly changing the conventional balance of energy supply and demand, owing to the slowdown of the domestic economy, consumers' efforts to save money, decreased domestic demand for petroleum products due to heightened environmental awareness and intensified competition among different forms of energy. As a result, we consider the need to adapt to the rapidly changing supply and demand structure as our most important business issue. Regarding this change as an opportunity for moving to the next stage of growth, we are aware that we must steadily implement the key issues raised in the Group's Core & Synergy 2010 medium-term business plan.

The outlook for each division is shown below.

In the Industrial Material Division, we will work to strengthen alternative energies such as LNG to respond to the diversifying energy usage needs of industrial fuel consumers, while expanding our lineup of environment-friendly products to address the need to reduce CO_2 emissions, and actively engaging in our comprehensive energy proposal business, including such secondary sources of energy as electric power.

In the Car-Life Division, we will consider the supply of energy including alternative energies, along with related businesses, as we strive to adapt to a low-carbon society. We will also work to create CSs that can respond to the lifestyles of customers by providing automotive services with the aim of strengthening CSs that can serve as hubs within local communities.

In the Energy Trade Division, we will endeavor to effectively utilize the tanks we own, reduce costs related to such tanks, provide functions hedging against the risk of fluctuations in the price of petroleum products and boost sales volume in the petroleum product trade business.

Regarding sales of marine fuels, the domestic market is expected to remain stagnant due to declining demand. We will review certain transactions, opting for those emphasizing profitability, and in overseas markets, we will review the areas in which we do business and strengthen relationships with overseas suppliers to not only maintain but expand trading rights, enabling us to respond to customer needs for a stable supply.

As for the chartering of tankers, transportation prices are expected to remain depressed due to the stagnant distribution volume of petroleum products, but we will implement optimization throughout our charter ship operations. Meanwhile, we will strive to ensure profits by developing partnerships with other companies and businesses within the Group.

In the Home-Life Division, we will work to differentiate ourselves from our competitors and improve our services centered on the Kurashi-no-Mori business, not only positioning us as an LP gas supplier in the LP gas business in our efforts to achieve a low-carbon society, but as a provider of a variety of energy sources including alternative energies. Furthermore, we will work to make LP gas prices more transparent and reasonable, as we endeavor to become more competitive by cutting costs through the implementation of more efficient operations.

This year, we worked to prevent incidents of carbon monoxide (CO) poisoning by promoting the installation of CO alarms as part of our “Campaign to Eliminate CO Poisoning,” and we will continue to work to ensure compliance and safety in the future with “safety and security” as our top priority.

A difficult operating environment is expected to continue over the next fiscal year, ending March 31, 2011. Nevertheless, we project net sales of ¥1,120,000 million, up 3.3% year on year, operating income of ¥9,800 million, up 60.8%, ordinary income of ¥10,200 million, up 45.6%, and net income of ¥3,800 million, down 12.8%, on a consolidated basis, by steadily promoting the aforementioned initiatives at the Groupwide level.

Business Risks

The Company understands that the major business risks of the Itochu Enex Group could have significant effects on the operating results, financial conditions and/or the stock prices of the Company. The Company takes specific measures to avert their occurrence as well as preventive measures. The forward-looking statements below are reviewed every fiscal year on a continued basis.

(1) Security risk related to accidents and disasters

Many of the products and merchandise handled by Group companies are hazardous substances such as gasoline, kerosene, gasoil, heavy oil and LPG. Although the Group pays careful attention to handling systems and education regarding security and the prevention of dangerous incidents for all merchandise, should an unpredictable accident or natural disaster happen, the Group’s operating performance and business activities might be affected.

(2) Risk related to environmental pollution such as soil contamination

Soil contamination due to the outflow of fuel oil and other environmental pollution issues at sales facilities (e.g., CSs) and with tanks have attracted increasing attention in recent years. Although the Group undertakes careful soil contamination countermeasures in compliance with stringent internal rules, should any accident that has an adverse impact on the surrounding environment happen for any reason, considerable costs could be incurred accordingly and the Group’s operating performance might be affected.

(3) Risk related to information management such as the leakage of personal information

The Group streamlines internal regulations and pays maximum attention to the management of personal information of stakeholders including customers. Nevertheless, should a leakage of personal information happen for any reason, the Group would lose the trust of society and its corporate image would be damaged. Consequently, the Group’s operating performance might be affected.

(4) Risk related to information system failure

The Group uses several computer systems in the course of its normal business operations. Should a system failure occur on any information system (e.g., for order reception or ordering) due to a natural disaster, human error or quality-related issue, the Group’s operating performance might be affected.

(5) Risk related to crude oil prices and market conditions regarding petroleum products

The prices of petroleum products handled by the Group are directly influenced by the fluctuations of crude oil prices and/or exchange rates. Regarding the fluctuations of the selling prices of its products, the Group's operating performance might be affected in association with several factors such as its relationship with competitors, market quotation prices and the time lag required for the shift of purchase prices into selling prices.

(6) Risk related to fluctuations in interest rates

The Group endeavors to reduce the value of its interest-bearing debt. Nevertheless, should the borrowing rate rise in the future as a result of interest rate fluctuations, the financing cost would increase and the Group's operating performance might be affected.

(7) Risk due to fluctuations in the prices of securities held

Regarding investment securities held by the Group, an evaluation loss on securities held would be incurred if stock prices drop in view of economic conditions and/or the fluctuation risk inherent in the stock market. Should any such significant evaluation loss on securities occur, the Group's operating performance might be affected.

(8) Risk related to industrial trends or competition

The Group had 2,153 affiliated CSs as of March 31, 2010, for sales of mainstay fuel oil. Several are exposed to fierce sales competition depending on region and have been forced to restructure their business or close station facilities. Although the Company endeavors to diversify the source of the CSs' revenues through management guidance services such as sales of used cars and vehicle inspections, the Group's operating performance might be affected by the entry of competitors and more intense sales competition than anticipated.

The LPG sales business currently faces not only industrial competition with competitors of the same trade but also extended competition from other energy sources such as city gas and electricity. Accordingly, the Group's operating performance might be affected by the business trends in these different industries—for example, due to the adverse impact on the sales volume and the selling price of LPG.

(9) Risk related to weather variations

The consumption volumes of kerosene, heavy oil and LPG, which are mainly consumed as heating energy sources in winter, are closely related to weather fluctuations. As a result, the Group's operating performance might be affected by abnormal weather conditions.

(10) Risk related to large-scale customers

The Group undertakes transactions with several large-scale customers. Should the transaction relationship with any one of them deteriorate for any reason, including a decline in net sales or a risk to credibility, the Group's operating performance might be affected.

(11) Risk related to bad debts

Should a considerable sum of bad debt be incurred at any of our business partners due to the difficult business climate, adverse business trends and/or unfavorable domestic or overseas economic conditions, the Group's operating performance might be affected.

(12) Risk related to subsidiaries and affiliates

Most of the subsidiaries and affiliates of the Group engage in oil sales, LPG sales and other consumer-oriented businesses. Should any of them be exposed to adverse consumer trends or economic conditions, the Group's operating performance might be affected.

(13) Risk related to a possible decline in bond credit rating

The Company has obtained a credit rating given by an external rating institution. Should its rating decline due to deteriorating financial conditions, the Company's direct fund procurement method for debts, etc., might be affected.

(14) Risk related to performance projections and dividend predictions

Regarding performance projections and dividend predictions publicly announced in accordance with stock exchange regulations, the Company may revise its projections according to the relevant stock exchange regulations in the event that the domestic and/or overseas economic environment changes considerably.

(15) Risk related to fluctuations in the market rate for charter fees

The Company operates a tanker leasing business and also possesses tanker freight space. Should the international market conditions for charter fees fluctuate, the Group's operating performance might be affected.

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries
Consolidated Balance Sheets
March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents *(Note 15)*	¥27,598	¥43,219	$296,626
Receivables:			
Trade notes and trade accounts *(Note 15)*	111,599	79,436	1,199,474
Unconsolidated subsidiaries and associated companies	1,311	582	14,092
Short-term loans	1,498	858	16,103
Other	5,095	5,264	54,760
Allowance for doubtful accounts	(562)	(682)	(6,041)
Inventories	10,295	8,196	110,648
Deferred tax assets *(Note 11)*	1,782	2,120	19,148
Prepaid expenses and other current assets	2,014	2,896	21,648
Total current assets	160,630	141,889	1,726,458
PROPERTY, PLANT AND EQUIPMENT *(Note 5)*:			
Land *(Note 8)*	35,161	35,454	377,915
Buildings and structures	50,467	50,450	542,423
Machinery and equipment	35,663	35,702	383,310
Lease assets	3,558	2,033	38,241
Construction in progress	147	92	1,581
Total	124,996	123,731	1,343,470
Accumulated depreciation	(57,272)	(55,353)	(615,564)
Net property, plant and equipment	67,724	68,378	727,906
INVESTMENTS AND OTHER ASSETS:			
Investment securities *(Notes 4,8 and 15)*	8,286	9,534	89,055
Investment in and advances to unconsolidated subsidiaries and associated companies	5,975	2,725	64,215
Long-term loans *(Note 15)*	1,449	3,366	15,575
Goodwill *(Note 6)*	4,798	6,562	51,568
Guarantee deposits	5,476	5,658	58,851
Deferred tax assets *(Note 11)*	3,199	3,845	34,387
Other assets	6,825	7,103	73,369
Allowance for doubtful accounts	(1,265)	(1,473)	(13,601)
Total investments and other assets	34,743	37,320	373,419
TOTAL	¥263,097	¥247,587	$2,827,783

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans *(Notes 8 and 15)*	¥8,020	¥11,851	$86,203
Current portion of long-term debt *(Note 8)*	10,579	8,832	113,701
Payables:			
Trade notes and trade accounts *(Note 15)*	100,319	74,523	1,078,236
Unconsolidated subsidiaries and associated companies	3,528	738	37,919
Income taxes payable	2,803	2,882	30,123
Accrued expenses	2,860	3,697	30,741
Other current liabilities	12,069	14,373	129,719
Total current liabilities	140,178	116,896	1,506,642
LONG-TERM LIABILITIES:			
Long-term debt *(Notes 8 and 15)*	12,833	22,696	137,934
Liability for retirement benefits *(Note 9)*	5,533	5,219	59,473
Deferred tax liabilities *(Note 11)*	242	236	2,605
Deferred tax liabilities on land revaluation difference *(Note 11)*	3,094	3,127	33,258
Guarantee deposits received	8,377	7,592	90,031
Other long-term liabilities	782	935	8,398
Total long-term liabilities	30,861	39,805	331,699
COMMITMENTS AND CONTINGENT LIABILITIES *(Notes 14 and 18)*			
EQUITY *(Notes 10 and 19)*:			
Common stock, authorized, 387,250,000 shares; issued, 116,881,106 shares in 2010 and 2009	19,878	19,878	213,647
Capital surplus	18,737	18,737	201,382
Retained earnings	61,719	59,463	663,356
Unrealized loss on available-for-sale securities	(725)	(836)	(7,786)
Deferred gain on hedges	12		132
Land revaluation difference *(Note 13)*	(8,221)	(8,456)	(88,364)
Treasury stock -at cost: 3,036,008 shares in 2010 and 32,290 shares in 2009	(1,321)	(20)	(14,197)
Total	90,079	88,766	968,170
Minority interests	1,979	2,120	21,272
Total equity	92,058	90,886	989,442
TOTAL	¥263,097	¥247,587	$2,827,783

See notes to consolidated financial statements.

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Income

Years Ended March 31, 2010 and 2009

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2010	2009	2010
NET SALES	¥1,083,761	¥1,164,708	$11,648,329
COST OF SALES	1,019,203	1,102,463	10,954,460
Gross profit	64,558	62,245	693,869
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES *(Note 12)*	58,462	52,364	628,350
Operating income	6,096	9,881	65,519
OTHER INCOME (EXPENSES):			
Interest and dividend income	400	519	4,302
Interest expense	(617)	(769)	(6,635)
Gain on sales of investment securities – net	53	1,217	575
Loss on devaluation of investment securities	(3)	(506)	(36)
Purchase discounts	263	491	2,824
Sales discounts	(234)	(436)	(2,520)
Equity in earnings (losses) of unconsolidated subsidiaries and associated companies	467	(46)	5,016
Foreign exchange gains (losses) – net	(37)	24	(394)
Gain on sales of property, plant and equipment	119	212	1,284
Loss on sales and disposal of property, plant and equipment	(609)	(585)	(6,545)
Loss on impairment of long-lived assets *(Note 5)*	(199)	(286)	(2,140)
Gain on transfer of business	50	253	535
Loss on transfer of pension plans *(Note 2.j)*		(131)	
Compensation income for expropriation	484		5,205
Gain on change in equity	2,415	10	25,958
Other – net	687	436	7,388
Other income (expenses) – net	3,239	403	34,817
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	9,335	10,284	100,336
INCOME TAXES *(Note 11)*:			
Current	3,619	4,450	38,902
Deferred	883	105	9,486
Total income taxes	4,502	4,555	48,388
MINORITY INTERESTS IN NET INCOME	473	310	5,086
NET INCOME	¥4,360	¥5,419	$46,862
PER SHARE OF COMMON STOCK *(Note 2.o)*:			
Basic net income	¥37.46	¥52.44	$0.40
Cash dividends applicable to the year	16.00	16.00	0.17

See notes to consolidated financial statements.

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries
Consolidated Statements of Changes in Equity

Years Ended March 31, 2010 and 2009

	Thousands	Millions of Yen									
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (loss) on Available-for-sale Securities	Deferred Gain (loss) on Hedges	Land Revaluation Difference	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2008	91,731	¥ 19,878	¥ 17,783	¥55,830	¥ (284)		¥ (8,836)	¥ (2,585)	¥81,786	¥1,922	¥ 83,708
Net income				5,419					5,419		5,419
Cash dividends, ¥16.0 per share				(1,467)					(1,467)		(1,467)
Purchase of treasury stock	(31)							(19)	(19)		(19)
Disposal of treasury stock	4,624										
Land revaluation difference				(380)			380				
Net increase resulting from business combination	20,525		954					2,584	3,538		3,538
Net increase resulting from change in subsidiary accounted for by the equity method				61					61		61
Net change in the year					(552)				(552)	198	(354)
BALANCE, MARCH 31, 2009	116,849	19,878	18,737	59,463	(836)		(8,456)	(20)	88,766	2,120	90,886
Net income				4,360					4,360		4,360
Cash dividends, ¥16.0 per share				(1,869)					(1,869)		(1,869)
Purchase of treasury stock	(3,004)							(1,301)	(1,301)		(1,301)
Disposal of treasury stock											
Land revaluation difference				(235)			235				
Net change resulting from demerger											
Net increase resulting from change in subsidiary accounted for by the equity method											
Net change in the year					111	¥12			123	(141)	(18)
BALANCE, MARCH 31, 2010	113,845	¥ 19,878	¥18,737	¥ 61,719	¥(725)	¥12	¥(8,221)	¥ (1,321)	¥ 90,079	¥1,979	¥ 92,058

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (loss) on Available-for- sale Securities	Deferred Gain (loss) on Hedges	Land Revaluation Difference	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2009	$ 213,647	$ 201,382	$ 639,110	$ (8,987)		$ (90,886)	$ (213)	$954,053	$ 22,800	$ 976,853
Net income			46,862					46,862		46,862
Cash dividends, $0.17 per share			(20,094)					(20,094)		(20,094)
Purchase of treasury stock							(13,984)	(13,984)		(13,984)
Disposal of treasury stock										
Land revaluation difference			(2,522)			2,522				
Net change resulting from demerger										
Net increase resulting from change in subsidiary accounted for by the equity method										
Net change in the year				1,201	$ 132			1,333	(1,528)	(195)
BALANCE, MARCH 31, 2010	$213,647	$201,382	$ 663,356	$ (7,786)	$132	$ (88,364)	$(14,197)	$968,170	$ 21,272	$ 989,442

See notes to consolidated financial statements.

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥9,335	¥10,284	$100,336
Adjustments for:			
Income taxes – paid	(3,731)	(3,919)	(40,105)
Depreciation and amortization	8,719	7,618	93,717
Gain on sales of property, plant and equipment	(119)	(212)	(1,284)
Loss on sales and disposal of property, plant and equipment	609	585	6,545
Gain on transfer of business	(50)	(253)	(535)
Gain on sales of investment securities – net	(53)	(1,217)	(575)
Compensation income for expropriation	(484)		(5,205)
Loss on devaluation of investment securities	3	506	36
Loss on impairment of long-lived assets	199	286	2,140
Increase (decrease) in allowance for doubtful accounts	139	(732)	1,494
Provision for retirement benefits	314	427	3,375
Equity in (earnings) losses of unconsolidated subsidiaries and associated companies	(467)	46	(5,016)
Gain on change in equity	(2,415)	(10)	(25,958)
Changes in assets and liabilities, net of newly-consolidated subsidiaries:			
(Increase) decrease in trade notes and accounts receivable	(32,552)	78,575	(349,869)
(Increase) decrease in inventories	(2,099)	6,753	(22,557)
(Increase) decrease in prepaid expenses and other current assets	1,655	(2,580)	17,784
Increase (decrease) in trade notes and accounts payable	28,699	(70,605)	308,461
Increase (decrease) in other current liabilities	(2,861)	3,326	(30,748)
Other - net	121	385	1,295
Total adjustments	(4,373)	18,979	(47,005)
Net cash provided by operating activities	4,962	29,263	53,331
	¥4,962	¥29,263	$53,331

FORWARD

(Continued)

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
FORWARD	¥4,962	¥29,263	$53,331
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(4,363)	(5,953)	(46,897)
Proceeds from sales of property, plant and equipment	290	1,778	3,115
Purchases of investment securities	(3,167)	(767)	(34,036)
Proceeds from sales of investment securities	1,441	1,829	15,490
Purchases of intangible assets	(1,497)	(1,510)	(16,088)
Proceeds from transfer of business	3,077		33,072
Proceeds from sales of intangible assets	89	541	953
Purchase of investments in subsidiaries	(484)		(5,201)
Proceeds from purchase of investments in subsidiaries resulting from change in scope of consolidation		2,877	
Collection of short-term loans – net	38	175	405
Collection of (payments for) long-term loans – net	607	(94)	6,519
Other – net	356	(580)	3,835
Net cash used in investing activities	(3,613)	(1,704)	(38,833)
FINANCING ACTIVITIES:			
Decrease in short-term bank loans – net	(3,918)	(16,643)	(42,121)
Proceeds from long-term debt		470	
Repayments of long-term debt	(8,793)	(6,131)	(94,503)
Repayments of bond payable	(644)	(822)	(6,922)
Repayments of lease obligations	(381)	(117)	(4,090)
Purchase of treasury stock	(1,305)	(19)	(14,022)
Dividends paid	(1,947)	(1,577)	(20,929)
Net cash used in financing activities	(16,988)	(24,839)	(182,587)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	18		190
CASH AND CASH EQUIVALENTS INCREASED BY BUSINESS COMBINATION		6,590	
NET INCREASE IN CASH AND CASH EQUIVALENTS	(15,621)	2,720	(167,899)

FORWARD

(Continued)

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
FORWARD	¥ (15,621)	¥2,720	$ (167,899)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	43,219	33,909	464,525
CASH AND CASH EQUIVALENTS, END OF YEAR	¥27,598	¥43,219	$296,626
DETAILS OF DECREASE IN INTANGIBLE ASSETS:			
Decrease in assets and liabilities, transfer price and net proceeds due to transfer of business described in Note 3 (1):			
Assets	¥96		$1,036
Gain on transfer of business	2,981		32,036
Transfer price	3,077		33,072
Cash and cash equivalents from the transfer			
Net proceeds	3,077		33,072
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Increase in assets and liabilities due to consolidation of a subsidiary by the acquisition of business described in Note 3 (2):			
Assets		¥35,370	
Liabilities		32,552	
Increase in assets and liabilities due to the succession of the business described in Note 3 (3):			
Assets		77,144	
Liabilities		73,606	

See notes to consolidated financial statements.

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements
Years Ended March 31, 2010 and 2009

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2009 consolidated financial statements to conform to the classifications used in 2010.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which ITOCHU ENEX CO., LTD. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥93.04 to $1, the approximate rate of exchange at March 31, 2010. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. The consolidated financial statements as of March 31, 2010 include the accounts of the Company and its 18 significant (21 in 2009) subsidiaries (collectively, the "Group"). Significant consolidated subsidiaries are Itochu Industrial Gas Co., Ltd., Kokura Enterprise Energy Co., Ltd., Konan Fleet Corporation, and Ecore Co., Ltd.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

During the year ended March 31, 2010, Kokura Enterprise Energy Co., Ltd. merged with Enehan Co., Ltd., both of which were consolidated subsidiaries of the Company.

Enex Carlife Sekiya Co., Ltd and Sekiya Co., Ltd were excluded from the scope of consolidation, as they were liquidated.

The Company does not consolidate 19 (22 in 2009) subsidiaries due to their immateriality in terms of consolidated total assets, net sales, net income and retained earnings.

Investments in 19 (22 in 2009) unconsolidated subsidiaries and 19 (19 in 2009) associated companies are accounted for by the equity method, including one significant associated company, Japan Gas Energy Corporation. Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is principally amortized over a period of 5 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Business Combination
In October 2003, the Business Accounting Council (BAC) issued a Statement of Opinion, "Accounting for Business Combinations", and in December 2005, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ

Statement No.7, "Accounting Standard for Business Divestitures," and ASBJ Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures. These new accounting pronouncements were effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

c. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificate of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

d. Inventories

Petroleum products are stated at cost determined by the moving-average method and consumer-related goods are stated at cost, determined by the last purchase method.

However, inventories held for sale in the ordinary course of business are measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of net selling value, if appropriate.

e. Marketable and Investment Securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost, and ii) available-for-sale securities, which are not classified as aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

f. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings.

The range of useful lives is principally from 2 to 50 years for buildings and structures and from 2 to 22 years for machinery and equipment. The useful lives for lease assets are the term of the respective leases.

Intangible assets are amortized by the straight-line method over their estimated useful lives. Computer software for internal use is capitalized as an asset and is amortized by the straight-line method over the useful life of 5 years.

g. Long-lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. Goodwill

Goodwill or negative goodwill is carried at cost less accumulated amortization, which is calculated by the straight-line method, over the useful life of principally 5 years.

i. Allowance for Doubtful Accounts

The allowance for doubtful account is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

j. Accrued Retirement Benefits

The Group has an obligation to pay retirement benefits to its employees, and therefore the Group provides accrued retirement benefits based on the estimated amount of projected benefits obligation and the fair value of plan assets. Unrecognized prior service cost is amortized by the straight-line method over a 9-year period, which is shorter than the average remaining years of service of the eligible employees. Unrecognized actuarial gain or loss is primarily amortized immediately from the following year using a straight-line method over a 9-year period, which is shorter than the average remaining years of service of the eligible employees.

According to the enactment of the Defined Contribution Pension Plan Law, Konan Fleet Corporation implemented a defined contribution pension plan in April 2009 by which the former qualified defined benefit pension plan and a portion of severance lump-sum payment plan were terminated. Konan Fleet Corporation applied the accounting treatment specified in the guidance issued by the ASBJ.

The Company applied the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No.19, issued on July 31, 2008) effective from the year ended March 31, 2010.
There were no effects of this change on operating income and income before income taxes and minority interests for the year ended March 31, 2010.

k. Leases

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008, with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and which do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions with certain "as if capitalized" information disclosed in the notes to the lessee's statements.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and which do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

l. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

m. Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate at the balance sheet date. The foreign exchange gains and losses from translations are recognized in the consolidated income statements to the extent that they are not hedged by forward exchange contracts.

n. Derivatives and Hedging Activities

The Company uses derivative financial instruments to manage its exposures to fluctuations in market prices for purchasing, interest rate, and foreign currency exchange. The Company does not enter into derivative transactions for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivative transactions are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated income statements and b) for derivative transactions used for hedging purposes, if derivative transactions qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivative transactions are deferred until maturity of the hedged transactions.

The Company evaluates hedge effectiveness for commodity swaps by comparing total cash flow of hedging instruments and items hedged.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

o. Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

Diluted net income per share and related information are not presented because there were no dilutive instruments outstanding for the years ended March 31, 2010 and 2009.

p. New Accounting Pronouncements

Segment Information Disclosures – In March 2008, the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures". Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and guidance will be applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

3. BUSINESS COMBINATIONS AND BUSINESS SEPARATION

Business combination for the year ended March 31, 2010 is as follows:

(1) Business transfer of Liquid Petroleum Gas operation

On April 1, 2009, the Company and its subsidiaries transferred liquid petroleum gas Operation (LPG) to Japan Gas Energy Corporation.

This transfer is based on the basic agreement that the Company, Japan Energy Corporation, Osaka Gas Co., Ltd., Nissho Petroleum Gas Corporation and Itochu Corporation had already entered into in October 2008, to merge the operation of import and wholesale of LPG.

The purpose of the merger is to create an LPG business group that will be capable of efficiency in providing a stable supply of LPG products and improving service quality to customers across the entire range of LPG operations from overseas procurement to retail sales.

Effective April 22, 2009, the Company acquired 20% of the voting rights of Japan Gas Energy Corporation through third party allotment, and made Japan Gas Energy Corporation its associated company.

(a) Name of company succeeding the business: Japan Gas Energy Corporation

(b) Transferred business: Wholesale business of LPG operations by bulk tank track

(c) Effective date of transfer: April 1, 2009
(d) Overview of the business transfer including legal form: The Company and six consolidated subsidiaries transferred the LPG operations to Japan Gas Energy Corporation

(e) Overview of accounting procedures implemented

1) The excess of the transfer price over the net assets of the transferred business was ¥2,415 million ($25,958 thousand).
2) Amounts of assets and liabilities transferred to Japan Gas Energy Corporation
Assets: ¥96 million ($1,036 thousand), Liabilities: Nil

The LPG operation transferred was categorized in the segment of "Home Life".

The transfer of business took place at the beginning of the year ended March 31, 2010, and the results of operations for the transferred business was not included in the consolidated statement of income for the year ended March 31, 2010.

The Company has purchases and sales transactions of LPG products with Japan Gas Energy Corporation.

Business combination for the year ended March 31, 2009 is as follows:

(2) Acquisition of Petroleum Sales Business of Konan Co., Ltd.
The Company has expanded its business through business combinations, such as M&A, under a strategy of "quantitative expansion accompanied by quality improvement" in an increasingly unfavorable business environment, which is a result of slowing demand for petroleum products caused by growing environmental concerns and high crude oil prices. This acquisition is based on the strategy, and the Company believes this enables it to expand its business by incorporating corporate culture, human resources and physical assets developed by Konan Co., Ltd. ("Konan").

On September 1, 2008, the Company acquired the wholesale business of petroleum from Konan, and as part of the acquisition, stock of Konan's subsidiary, Kohnan Fleet Corporation ("Kohnan Fleet"), to become its wholly owned subsidiary.

The consolidated financial statements for the year ended March 31, 2009 include the results of the operations for the acquired business for the period from October 1, 2008 through March 31, 2009.

(3) Succession of the Petroleum Products-Related Businesses
On October 1, 2008, the Company assumed the petroleum products-related business from ITOCHU Corporation ("ITOCHU") and ITOCHU Petroleum Japan Ltd. ("IPCJ"), one of ITOCHU's wholly owned subsidiaries. The business assumed its domestic sales and export/import business in Japan of petroleum products (e.g., kerosene, gas oil) engaged in by the energy trade division of ITOCHU and the logistics business for petroleum products engaged in by IPCJ for the chartering and operating of tankers, the supply of marine fuels, the operation of petroleum storage tanks, and trading of lubricating oil.

4. INVESTMENT SECURITIES

Investment securities as of March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2010	2009	2010
Non-current:			
Marketable equity securities	¥ 7,799	¥ 7,781	$ 83,824
Debt securities	487	1,752	5,231
Other		1	
Total	¥ 8,286	¥ 9,534	$ 89,055

The cost and aggregate fair values of investment securities and held-to-maturity securities at March 31, 2010 and 2009 were as follows:

	Millions of Yen			
March 31, 2010	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 8,542	¥ 495	¥ 1,720	¥ 7,317
Debt securities	490		3	487
Held-to-maturity:				
Unlisted corporate bond				
March 31, 2009				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 8,627	¥ 369	¥ 1,757	¥ 7,239
Debt securities	1,574	0	22	1,552
Held-to-maturity:				
Unlisted corporate bond	200			200

	Thousands of U.S. Dollars			
March 31, 2010	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 91,807	$ 5,329	$ 18,490	$ 78,646
Debt securities	5,267		36	5,231
Held-to-maturity:				
Unlisted corporate bond				

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 were as follows. The similar information for 2010 is disclosed in Note 15.

March 31, 2009	Carrying amount *Millions of Yen*
Available-for-sale:	
Unlisted equity securities	¥ 542
Other	1
Total	¥ 543

The impairment losses on available-for-sale equity securities for the years ended March 31, 2010 and 2009 were ¥3 million ($36 thousand), and ¥506 million, respectively.

5. LONG-LIVED ASSETS

The Group identifies groups of assets based on managerial accounting categories, except for idle assets, land, buildings and structures, which were individually reviewed for impairment.

For the years ended March 31, 2010 and 2009, the book values of these assets were written down to their respective recoverable amounts by ¥199 million ($2,140 thousand) and ¥286 million, respectively. The amount for the year ended March 31, 2010 consisted of ¥106 million ($1,142 thousand) for buildings and structures, ¥91 million ($975 thousand) for land, and ¥2 million ($23 thousand) for other assets.

These decreases in value are included in other expenses as impairment loss.

The recoverable amounts of assets in use were measured using the net sales price or at their value in use and discounted at the rate of 8% for computation of present value of future cash flows.

The recoverable amounts of idle assets were measured using the net sales price principally based on the official notice prices assessed and published by the Commissioner of the National Tax Administration.

6. GOODWILL

Goodwill at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2010	2009	2010
Goodwill			
Goodwill on purchase of a specific business, etc.	¥2,879	¥4,011	$30,947
Consolidation goodwill	1,919	2,551	20,621
Total	¥4,798	¥6,562	$51,568

Goodwill at March 31, 2010 was net of goodwill of ¥4,849 million ($52,119 thousand) and negative goodwill of ¥51 million ($550 thousand).

7. INVESTMENT PROPERTY

In November 2008, the ASBJ issued ASBJ Statement No. 20 “Accounting Standard for Investment Property and Related Disclosures” and issued ASBJ Guidance No. 23 “ Guidance on Accounting Standard for Investment Property and Related Disclosures”. This accounting standard and the guidance are applicable to investment property and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Company applied the new accounting standard and guidance effective March 31. 2010.

The Company and its consolidated subsidiaries own petroleum-related facilities such as tank farm, gas station and LPG station for rent all over Japan. Revenue and cost related to the real estate for rent were recorded in net sales and cost of sales, respectively. Net profit related to the real estate for rent was ¥372 million ($3,996 thousand) and impairment loss was ¥199 million ($2,140 thousands) for the year ended March 31, 2010.

The carrying amounts, changes in such balances and market prices of such properties are as follows.

Millions of Yen			
Carrying amount			Fair value
April 1, 2009	Increase/Decrease	March 31, 2010	March 31, 2010
¥ 23,896	¥ (239)	¥ 23,657	¥ 20,420

Thousand of U.S. Dollars			
Carrying amount			Fair value
April 1, 2009	Increase/Decrease	March 31, 2010	March 31, 2010
$ 256,838	$ (2,567)	$ 254,271	$ 219,480

Notes:

1) Carrying amount recognized in balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2) Decrease during the fiscal year ended March 31, 2010 is due mainly decrease in petroleum sales related facilities.

3) Fair value of properties as of March 31, 2010 is measured by the Company in accordance with its Real-estate Appraisal Standards (including for those adjusted by index).

8. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2010 and 2009 consisted of bank overdrafts.

The weighted-average interest rates applicable to short-term bank loans as of March 31, 2010 and 2009 were 0.792% and 1.052%, respectively.

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2010	2009	2010
Long-term bank loans due through 2014 at average interest rates of 1.567% in 2010 and 1.515% in 2009	¥18,794	¥27,587	$202,000
Lease obligation	3,470	2,149	37,295
Unsecured 0.770% corporate bonds due through November 2009		100	
Unsecured 0.670% corporate bonds due through June 2010	100	300	1,075
Unsecured 1.470% corporate bonds due through March 2012	168	252	1,806
Unsecured 1.330% corporate bonds due through March 2013	180	240	1,935
Unsecured 1.125% corporate bonds due through June 2013	700	900	7,524
Total	23,412	31,528	251,635
Less current portion:			
Long-term bank loans	(9,263)	(7,669)	(99,556)
Long-term corporate bonds	(444)	(644)	(4,772)
Lease obligation	(872)	(519)	(9,373)
Long-term debt, less current portion	¥12,833	¥22,696	$137,934

The annual maturities of long-term debt at March 31, 2010, were as follows:

	Long-term bank loans		*Corporate bonds*		*Lease obligation*	
Years ending March 31	*Millions of Yen*	*Thousands of U.S. Dollars*	*Millions of Yen*	*Thousands of U.S. Dollars*	*Millions of Yen*	*Thousands of U.S. Dollars*
2011	¥ 9,263	$ 99,556	¥ 444	$ 4,772	¥ 872	$ 9,373
2012	1,460	15,696	404	4,342	860	9,246
2013	7,856	84,441	200	2,150	812	8,729
2014	215	2,307	100	1,075	549	5,904
2015					221	2,373
2016 and thereafter					156	1,670
Total	¥ 18,794	$ 202,000	¥ 1,148	$ 12,339	¥ 3,470	$ 37,295

The carrying amounts of assets pledged as collateral for trade accounts payable of ¥149 million ($1,599 thousand), short-term bank loans of ¥170 million ($1,827 thousand) and long-term borrowings of ¥20 million ($215 thousand) at March 31, 2010 were as follows:

	Millions of Yen	*Thousands of U.S. Dollars*
Land	¥75	$800
Investment securities	9	98
Total	¥ 84	$ 898

In addition, investment securities of ¥1,548 million ($16,638 thousand) were deposited as guarantees for commodity futures trading at March 31, 2010.

The Company entered into commitment line contracts with banks. Outstanding bank commitment lines contracted, but not provided for, as of March 31, 2010 and 2009 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2010	2009	2010
Credit facilities	¥8,000	¥7,000	$85,985
Used			
Unused	¥8,000	¥7,000	$85,985

9. RETIREMENT AND PENSION PLANS

Under most circumstances, employees terminating their employment are entitled to certain severance payments based on their rates of pay at the time of termination, length of service, and certain other factors. If the termination is involuntary, caused by retirement at the normal retirement age, or caused by death, the employee is entitled to greater payments than in the case of voluntary termination.

The Group has a lump-sum retirement plan, defined contribution pension plans and tax qualified pension plans.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2010 and 2009 for the Group defined benefit plans:

	Millions of Yen		*Thousands of U.S. Dollars*
	2010	2009	2010
Retirement benefit obligation	¥(7,228)	¥ (7,763)	$(77,691)
Plan assets at fair value	1,086	1,510	11,668
Unrecognized actuarial loss	90	269	969
Unrecognized prior service cost	519	765	5,581
Net liability	¥(5,533)	¥ (5,219)	$(59,473)

Certain consolidated subsidiaries apply simplified methods in calculating their retirement and severance benefit obligation.

The components of net periodic benefit costs are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2010	2009	2010
Service cost	¥510	¥518	$5,477
Interest cost	72	66	782
Amortization of actuarial loss	174	165	1,866
Amortization of prior service cost	251	245	2,698
Net periodic benefit costs	¥1,007	¥994	$10,823

In addition, the Group recorded expenses related to defined contribution pension plans of ¥416 million ($4,468 thousand) for the year ended March 31, 2010 and ¥362 million for the year ended March 31, 2009 in retirement benefit obligation. The Group paid additional retirement benefits of ¥59 million ($634 thousand) for the year ended March 31, 2010 and ¥216 million for the year ended March 31, 2009. These are recorded in selling, general and administrative expenses.

Retirement benefit expenses of certain consolidated subsidiaries which apply simplified methods are recorded in “Service cost”.

Assumptions for the years ended March 31, 2010 and 2009 are set forth as follows:

	2010	2009
Discount rate	1.6%	1.6%
Expected rate of return on plan assets	0.0%	0.0%
Amortization period of prior service cost	9 years	9 years
Recognition period of actuarial loss	9 years	9 years

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥ 3 million.

(b) Increase / decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total aggregate amount of legal reserve and additional paid-in capital equals 25% of the amount of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reserved without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights are now presented as a separate component of equity.
The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.7% for the years ended March 31, 2010 and 2009.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2010	2009	2010
Deferred tax assets:			
Enterprise tax payable	¥ 239	¥ 249	$ 2,565
Accrued expenses	141	371	1,511
Allowance for doubtful accounts	740	1,231	7,950
Accrued bonuses for employees	887	1,010	9,538
Tax loss carryforwards	191	461	2,048
Liability for retirement benefits	2,218	2,125	23,841
Accrued retirement benefits for directors and corporate auditors	164	227	1,758
Loss on devaluation of investment securities	310	347	3,336
Impairment loss of fixed assets	175	309	1,879
Unrealized loss on available-for-sale securities	499	574	5,365
Asset adjustment related to business combination	456	492	4,897
Elimination of internal profit in consolidation	437	532	4,694
Other	490	531	5,273
Less valuation allowance	(848)	(1,330)	(9,113)
Total	¥ 6,099	¥ 7,129	$ 65,542
Deferred tax liabilities:			
Reserve for special depreciation	¥ (1,124)	¥ (1,164)	$ (12,075)
Other	(236)	(236)	(2,537)
Total	¥ (1,360)	¥ (1,400)	$ (14,612)
Net deferred tax assets	¥ 4,739	¥ 5,729	$ (50,930)

	Millions of Yen		*Thousands of U.S. Dollars*
	2010	2009	2010
Deferred tax assets on land revaluation	¥5,181	¥5,296	$55,686
Less valuation allowance	(5,181)	(5,296)	(55,686)
Deferred tax liabilities on land revaluation	(3,094)	(3,127)	(33,258)
Deferred tax liabilities on land revaluation – net	¥(3,094)	¥(3,127)	$(33,258)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2010 and 2009 is as follows:

	Year ended March 31	Year ended March 31
	2010	2009
Normal effective statutory tax rate	40.7%	40.7%
Entertainment expenses and others that are not deductible permanently	4.0	3.5
Per capita inhabitants tax	1.5	1.2
Other – net	2.0	(1.1)
Actual effective tax rate	48.2%	44.3%

At March 31, 2010, certain subsidiaries have tax loss carryforwards aggregating approximately ¥439 million ($4,713 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	*Millions of Yen*	*Thousands of U.S. Dollars*
2011		
2012		
2013	¥ 1	$ 6
2014	125	1,347
2015	54	580
2016 and thereafter	259	2,780
Total	¥439	$4,713

12. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The main components of selling, general and administrative expenses for the years ended March 31, 2010 and 2009 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2010	2009	2010
Payroll	¥ 18,453	¥ 17,057	$ 198,331
Provision for accrued bonuses to employees	2,129	2,408	22,883
Provision for accrued bonuses to directors and corporate auditors	236	213	2,538
Rent	10,772	9,177	115,776
Depreciation and amortization	2,422	2,279	26,028
Amortization of goodwill	2,285	1,985	24,558
Provision for allowance for doubtful accounts	308	222	3,314
Provision for accrued pension and severance costs	1,426	1,402	15,330

Certain reclassifications have been made in the 2009 financial statements to conform to the classifications used in 2010.

13. LAND REVALUATION DIFFERENCE

Under the "Law of Land Revaluation", the Company elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 1999. The resulting land revaluation difference represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statements of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation difference account and related deferred tax liabilities. As of March 31, 2010, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥6,121 million ($65,793 thousand), of which ¥2,499 million ($26,860 thousand) is relating to the land classified as investment property.

14. LEASES

(Finance lease - Lessee)
The Group leases certain machinery mainly for petroleum products sales, computer equipment and other assets. Total rental expenses including lease payments under finance leases for the years ended March 31, 2010 and 2009 were ¥1,240 million ($ 13,327 thousand) and ¥1,583 million, respectively.

ASBJ Statement No.13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March

31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the financial statements. The Company applied ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008, such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense, and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	Millions of Yen				*Millions of Yen*			
	As of March 31, 2010				As of March 31, 2009			
	Buildings and Structures	Machinery and Equipment	Intangible Assets	Total	Buildings and Structures	Machinery and Equipment	Intangible Assets	Total
Acquisition cost	¥31	¥5,697	¥493	¥6,221	¥36	¥7,609	¥515	¥8,160
Accumulated depreciation	29	4,975	355	5,359	32	6,055	287	6,374
Net leased property	¥2	¥722	¥138	¥862	¥4	¥1,554	¥228	¥1,786

	Thousands of U.S. Dollars			
	As of March 31, 2010			
	Buildings and Structures	Machinery and Equipment	Intangible Assets	Total
Acquisition cost	$333	$61,229	$5,301	$66,863
Accumulated depreciation	314	53,471	3,810	57,595
Net leased property	$19	$7,758	$1,491	$9,268

Obligations under finance leases:

	Millions of Yen		*Thousands of U.S. Dollars*
	2010	2009	2010
Due within one year	¥ 927	¥ 1,247	$ 9,963
Due after one year	796	1,787	8,560
Total	¥ 1,723	¥ 3,034	$ 18,523

Depreciation expense, interest expense, and other information under finance leases:

	Millions of Yen		*Thousands of U.S. Dollars*
	2010	2009	2010
Depreciation expense	¥ 844	¥ 1,426	$ 9,067
Interest expense	39	67	426
Total	¥ 883	¥ 1,493	$ 9,493
Lease payments	¥ 1,240	¥ 1,583	$ 13,327

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the declining-balance method and the interest method, respectively.

(Finance lease - Lessor)
The Group leases certain machinery, computer equipment and other assets. Total lease income under finance leases for the years ended March 2010 and 2009 were ¥263 million ($2,829 thousand) and ¥354 million, respectively.

As discussed in Note 2.k, finance leases that are not deemed to transfer ownership which commenced prior to April 1, 2008 are accounted for in manner similar to ordinary operating lease transactions with certain "as if capitalized" information in the notes to the consolidated financial statements. Pro forma information of such leases commenced prior to April 1, 2008, such as acquisition cost, accumulated depreciation, credit under finance leases, depreciation expense, and interest income on a "as if capitalized" basis for the years ended March 31, 2010 and 2009 was as follows:

	Millions of Yen			*Millions of Yen*		
	As of March 31, 2010			As of March 31, 2009		
	Buildings and Structures	Machinery and Equipment	Total	Buildings and Structures	Machinery and Equipment	Total
Acquisition cost	¥5	¥1,382	¥1,387	¥10	¥1,922	¥1,932
Accumulated depreciation	5	1,241	1,246	9	1,616	1,625
Net leased property	¥0	¥141	¥141	¥1	¥306	¥307

	Thousands of U.S. Dollars		
	As of March 31, 2010		
	Buildings and Structures	Machinery and Equipment	Total
Acquisition cost	$56	$14,855	$14,911
Accumulated depreciation	53	13,344	13,397
Net leased property	$3	$1,511	$1,514

Receivables under finance leases:

	Millions of Yen		*Thousands of U.S. Dollars*
	2010	2009	2010
Due within one year	¥180	¥ 272	$1,935
Due after one year	130	343	1,399
Total	¥310	¥ 615	$3,334

Depreciation expense, interest income under finance leases:

	Millions of Yen		*Thousands of U.S. Dollars*
	2010	2009	2010
Depreciation expense	¥149	¥271	$1,606
Interest income	5	10	53

Interest income, which is not reflected in the accompanying consolidated statements of income, is computed by the interest method.

(Operating lease – Lessee)
The minimum rental commitments under noncancellable operating leases at March 31, 2010 were as follows:

	Millions of Yen
	2010
Due within one year	¥1,599
Due after one year	3,998
Total	¥5,597

(Operating lease – Lessor)
The minimum rental commitments under noncancellable operating leases at March 31, 2010 were as follows:

	Millions of Yen
	2010
Due within one year	¥ 670
Due after one year	1,930
Total	¥ 2,600

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". This accounting standard and guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010, with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Group policy for financial instruments
The Group mainly maintains funds by secure deposits and finances by bank loans. The Group uses derivative financial instruments to reduce fluctuation risks such as market prices, interest rate and foreign exchange, and does not use derivative transactions for trading or speculative purposes.

(2) Nature and extent of risks arising from financial instruments
Receivables such as trade notes and trade accounts are exposed to customer credit risk. Operating payables such as trade notes and trade accounts payables are due within one year. Operating receivables and payables denominated in foreign currencies are exposed to foreign currency fluctuation risk. The Group utilizes foreign currency forward contracts to hedge foreign currency fluctuation risk. Investment securities mainly consist of equity securities and are exposed to market fluctuation risk. These are mainly securities of companies with business relationships with the Company and the Group reviews the fair values of such securities quarterly. Short-term borrowings are mainly used to finance operating capital and long-term debt (basically due within 5 years), including bonds payable, are mainly used to finance necessary funds for capital investments. Long-term variable interest rate debt is exposed to interest rate fluctuation risk. The Group utilizes derivative transactions such as interest rate swap contracts to hedge fluctuation risk. Evaluation of hedge effectiveness of the interest rate swaps is omitted as the interest rate swaps meet the requirements for exceptional treatment.

(3) Risk management for financial instruments
Credit risk management
The Group follows internal rules and monitors the major customers' credit conditions periodically and manages the due dates and balances per each customer. The Group enters into derivative transactions only with highly-rated financial institutions to mitigate credit risk, and the Group was evaluated that there is no material credit risk.

Market risk management (foreign exchange risk and interest rate risk)
The Company utilizes interest rate swap contracts to hedge the fluctuation risk on interest payment of variable interest rate debt. The Company and some companies in the Group utilize foreign currency forward contracts to mitigate foreign currency fluctuation risk. Regarding investment securities, the Group regularly reviews the fair value and issuers' financial condition. The Company and some companies in the Group utilize petroleum products futures and these are exposed to market risk. Interest rate swap contracts are exposed to interest fluctuation risk, and foreign currency forward contracts are exposed to foreign currency fluctuation risk. The execution and control of derivative transactions are controlled by the dealing department based on internal rules, which states the authority and the limits in dealing. The dealing status is reported to and reviewed by the administration department.

Liquidity risk management
Each company in the Group prepares and updates the cash management plan monthly and calculates the necessary amount on hand. The Group manages liquidity risk by maintaining the amount calculated by each company.

(4) Fair values of financial instruments

Fair values of financial instruments are based on market prices and reasonably-calculated values with certain assumptions in cases where no market prices exist. The reasonably-calculated values may fluctuate when different assumptions are applied. The contract amounts regarding derivative transactions are described in Note 16 does not indicate market risk related to derivative transactions.

(a) Fair value of financial instruments

	Millions of yen		
March 31, 2010	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥ 27,598	¥ 27,598	
Trade notes and trade accounts receivable	111,599	111,599	
Receivables from unconsolidated subsidiaries and associated companies	549	549	
Investment securities	7,804	7,804	
Long-term loans	3,231	3,239	¥ 8
Total	¥ 150,781	¥ 150,789	¥ 8
Short-term bank loans	¥ 8,020	¥ 8,020	
Trade notes and trade accounts payable	100,319	100,319	
Payables to unconsolidated subsidiaries and associated companies	2,917	2,917	
Long-term debt	19,942	20,065	¥ 123
Total	¥ 131,198	¥ 131,321	¥ 123

	Thousands of U.S. Dollars		
March 31, 2010	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	$ 296,626	$ 296,626	
Trade notes and trade accounts receivable	1,199,474	1,199,474	
Receivables from unconsolidated subsidiaries and associated companies	5,902	5,902	
Investment securities	83,876	83,876	
Long-term loans	34,730	34,818	$ 88
Total	$ 1,620,608	$ 1,620,696	$ 88
Short-term bank loans	$ 86,203	$ 86,203	
Trade notes and trade accounts payable	1,078,236	1,078,236	
Payables to unconsolidated subsidiaries and associated companies	31,351	31,351	
Long-term debt	214,339	215,662	$ 1,323
Total	$ 1,410,129	$ 1,411,452	$ 1,323

Cash and cash equivalents and time deposits

The carrying value is deemed to approximate the fair value since the instruments are scheduled to be settled in a short period of time

Trade notes and trade accounts receivable and Receivables from unconsolidated subsidiaries and associated companies

The carrying value is deemed to approximate the fair value since the instruments are scheduled to be settled in a short period of time

Investment securities

Fair value of stock is based on the price on stock exchanges and that of bonds is based on the price on bond markets or the price presented by the counterparty financial institutions. Please see Note 4.

Long-term loans

Long-term loans are classified by specific terms, and the fair values are calculated by discounting with the rate which would be expected if a new loan were offered in the same situation. The amount in the above tables includes current portion of long-term loans of ¥1,444 million ($15,520 thousand).

Trade notes and trade accounts payable and Payables to unconsolidated subsidiaries and associated companies

The carrying value is deemed to approximate the fair value since such instruments are scheduled to be settled in a short period of time

Short-term borrowings

The carrying value is deemed to approximate the fair value since such instruments are scheduled to be settled in a short period of time

Long-term debt

The fair value of long-term debt is calculated by discounting the sum of principal and interest by the rate which would be expected to be used if a new loan were borrowed in the same situation. The fair value of long-term variable interest rate debt of ¥7,000 million ($75,236 thousand) is calculated by discounting the sum of principal amounts, together with corresponding interest rate swap contracts, by a reasonably-estimated rate. The amount in the above tables includes current portion of long-term debt of ¥9,263million ($99,556 thousand).

The fair value of bond payable is calculated by discounting the sum of principal and interest by the rate which would be expected to be used if new bonds were issued in the same situation. The amount in the above tables includes bonds of ¥444 million ($4,772 thousand) whose maturities come within a year.

Derivatives

The information of the fair value for derivatives is included in Note 16.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying amount	
March 31, 2010	*Millions of Yen*	*Thousands of U.S. Dollars*
Investments in equity instruments that do not have a quoted market price in an active market	¥ 482	$ 5,179
Investments in equity instruments of subsidiaries that do not have a quoted market price in an active market	2,487	26,729
Investments in equity instruments of associated companies that do not have a quoted market price in an active market	3,150	33,852
Total	¥ 6,119	$ 65,760

(5) Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen			
March 31, 2010	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 27,598			
Time deposits	1			
Trade notes and trade accounts receivable	111,599			
Receivables from unconsolidated subsidiaries and associated companies	549			
Long-term loans	1,444	¥ 999	¥ 656	¥ 132
Total	¥ 141,191	¥ 999	¥ 656	¥132

	Thousands of U.S. Dollars			
March 31, 2010	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	$ 296,626			
Time deposits	11			
Trade notes and trade accounts receivable	1,199,474			
Receivables from unconsolidated subsidiaries and associated companies	5,902			
Long-term loans	15,520	10,737	7,051	1,419
Total	$ 1,517,533	$ 10,737	$ 7,051	$ 1,419

Please see Note 8 for annual maturities of long-term debt and Note 14 for obligations under finance leases, respectively.

16. DERIVATIVES

The Company engages in derivative transactions involving petroleum products futures to hedge petroleum market risk, interest rate swap contracts to manage its interest rate exposures on certain liabilities, and foreign exchange forward contracts to hedge the risk on assets and liabilities exposed to foreign currency fluctuations. The Company does not hold or issue derivative transactions for trading or speculative purposes. The petroleum products futures are exposed to market risk which is created by potential fluctuations in market conditions. Interest rate swaps are exposed to risks of potential interest rate fluctuations, and foreign exchange forward contracts are exposed to risks of potential foreign currency fluctuations. Because the counterparties to these derivative transactions are limited to highly-rated members of a petroleum exchange and domestic financial institutions, the Company does not anticipate any losses arising from credit risk.

The execution and control of derivative transactions are controlled by the dealing department based on the internal rules, which states the authority and the limits in dealing. The dealing status is reported to and reviewed by the administration department.

As noted in Note 15, the Group applied ASBJ Statement No.10, “Accounting Standard for Financial Instruments,” and ASBJ Guidance No.19, “Guidance on Accounting Standard for Financial Instruments and Related Disclosures”. The accounting standard and guidance are applicable to financial instruments and related disclosures at the end of fiscal years ending on or after March 31, 2010; therefore, the required information is disclosed only for 2010.

Derivative transactions to which hedge accounting is not applied at March 31, 2010

At March 31, 2010	Millions of Yen Contract Amount	 Contract Amount due after One Year	 Fair Value	 Unrealized Gain / Loss
Foreign currency forward contracts:				
Buying U.S.$	¥ 1,963		¥ 73	¥ 73
Selling U.S.$	¥ 277		¥ (11)	¥ (11)
Commodity futures:				
Buying	¥ 8,816		¥ 706	¥ 706
Selling	¥ 9,231		¥ (615)	¥ (615)

At March 31, 2010	Thousands of U.S. Dollars Contract Amount	 Contract Amount due after One Year	 Fair Value	 Unrealized Gain / Loss
Foreign currency forward contracts:				
Buying U.S.$	$ 21,096		$ 784	$ 784
Selling U.S.$	$ 2,976		$ (113)	$ (113)
Commodity futures:				
Buying	$ 94,759		$ 7,591	$ 7,591
Selling	$ 99,212		$ (6,605)	$ (6,605)

Derivative transactions to which hedge accounting is applied at March 31, 2010

At March 31, 2010	Millions of Yen Hedged item	 Contract Amount	 Contract Amount due after One Year	 Fair Value
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	¥ 7,000	¥ 4,000	Note 1

At March 31, 2010	Thousands of U.S. Dollars Hedged item	 Contract Amount	 Contract Amount due after One Year	 Fair Value
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	$ 75,236	$ 42,992	Note 1

Note 1: Fair value of interest rate swaps what meet the requirements for special accounting was included in the fair value of the corresponding long-term debt.

Foreign currency forward contracts which qualify for hedge accounting are excluded from the above table as the amount is not material.

The following is the fair value information for foreign currency forward contracts to which hedge accounting is not applied at March 31, 2009. Foreign currency forward contracts which qualify for hedge accounting are excluded from the information below.

	Millions of Yen		
At March 31, 2009	Contract Amount	Fair Value	Unrealized Gain / Loss
Foreign currency forward contracts:			
Buying U.S.$	¥ 1,556	¥ 1,576	¥ 20
Selling U.S.$	(143)	(147)	(4)
Commodity futures:			
Buying	3,278	3,355	77
Selling	(3,167)	(3,348)	(181)

The fair value of derivative transactions is measured at the quoted price obtained from the financial institutions.
The contract or notional amounts of derivative transactions which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

17. RELATED PARTY TRANSACTIONS

Transactions with related parties for the years ended March 31, 2010 and 2009 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2010	2009	2010
ITOCHU Corporation, shareholder:			
Sales	¥ 2,550		$ 27,406
Purchases	1,799	¥ 50,318	19,334
Trade notes and trade accounts receivable	132		1,414
Trade notes and trade accounts payable	28	13	298
Succeeded assets by the spin-off		51,989	
Succeeded liabilities by the spin-off		51,334	
Japan Gas Energy Corporation, associated company:			
Purchases	¥23,238		$249,766
Trade notes and trade accounts payable	2,912		31,294
ITOCHU Petroleum Japan Ltd., sister company			
Succeeded assets by the spin-off		¥25,155	
Succeeded liabilities by the spin-off		22,273	

18. CONTINGENT LIABILITIES

At March 31, 2010, the Group had the following contingent liabilities:

	Millions of Yen	*Thousands of U.S. Dollars*
Guarantors of lease debt of Iinuma Sekiyu and 18 other companies	¥ 53	$ 573
Securitization of trade notes receivable	90	965
Securitization of trade accounts receivable	339	3,641

19. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2010 was approved at the Company's shareholders meeting held on June 22, 2010:

	Millions of Yen	*Thousands of U.S. Dollars*
Year-end cash dividends, ¥8 ($0.86) per share	¥ 911	$ 9,789

20. SEGMENT INFORMATION

The Company operates in the following industries:

Industrial Material consists of energy and material supplies for customers, high-pressure gas productions, asphalt, cement, liquefied natural gas (LNG), sales of urea aqueous solution and wholesale electricity sales.

Car Life consists of sales and services for car owners centered mainly on car-life-stations such as gasoline, heating oil, light diesel oil, heavy fuel oil, grease, automobile supplies, car inspection, maintenance, car rental and alternative energy (fuel cell and photovoltaic power generation, etc.) for vehicles.

Trade consists of trading petroleum products, domestic demand and supply adjustments, chartering and operating tankers, supply of marine fuels, trading lubricating oil, logistics and operations of petroleum storage.

Home Life consists of sales of goods and services relating to family lives such as liquefied petroleum gas, equipment (combustion, kitchen, air conditioning, household equipment), commodities, catalogue merchandise, communication devices, books, sundries and alternative energy (fuel cell and photovoltaic power generation, etc.) for households.

Information about industry segments, geographical segments and sales to foreign customers of the Company and subsidiaries for the years ended March 31, 2010 and 2009, is as follows:

(1) Industry Segments

a. Sales and Operating Income

	Millions of Yen					
	2010					
	Industrial Material	Car Life	Trade	Home Life	Eliminations / Corporate	Consolidated
Sales to customers	¥ 97,748	¥ 505,484	¥ 394,133	¥ 86,396		¥ 1,083,761
Intersegment sales	816	6,272	32,379		¥ (39,467)	
Total sales	98,564	511,756	426,512	86,396	(39,467)	1,083,761
Operating expenses	96,934	508,345	426,862	83,001	(37,477)	1,077,665
Operating income	¥ 1,630	¥ 3,411	¥ (350)	¥ 3,395	¥ (1,990)	¥ 6,096

b. Total assets, Depreciation, Impairment loss and Capital Expenditures

	Millions of Yen					
	2010					
	Industrial Material	Car Life	Trade	Home Life	Eliminations / Corporate	Consolidated
Total assets	¥ 21,374	¥ 107,477	¥ 52,214	¥ 51,887	¥ 30,145	¥ 263,097
Depreciation	388	3,908	431	2,717	691	8,135
Impairment loss		75		124		199
Capital expenditures	321	3,270	344	1,406	434	5,775

a. Sales and Operating Income

	Industrial Material	Car Life	Trade	Home Life	Eliminations / Corporate	Consolidated
	Millions of Yen					
	2009					
Sales to customers	¥136,985	¥816,346	¥ 87,103	¥124,274		¥1,164,708
Intersegment sales	60	1,889	15,381		¥ (17,330)	
Total sales	137,045	818,235	102,484	124,274	(17,330)	1,164,708
Operating expenses	133,579	811,301	102,081	122,286	(14,420)	1,154,827
Operating income	¥ 3,466	¥ 6,934	¥ 403	¥ 1,988	¥ (2,910)	¥ 9,881

b. Total assets, Depreciation, Impairment loss and Capital Expenditures

	Industrial Material	Car Life	Trade	Home Life	Eliminations / Corporate	Consolidated
	Millions of Yen					
	2009					
Total assets	¥ 16,955	¥ 111,794	¥ 21,829	¥ 44,560	¥ 52,449	¥ 247,587
Depreciation	335	3,311	110	1,360	517	5,633
Impairment loss		283		3		286
Capital expenditures	666	6,668	161	1,166	584	9,245

a. Sales and Operating Income

	Industrial Material	Car Life	Trade	Home Life	Eliminations / Corporate	Consolidated
	Thousand of U.S. Dollars					
	2010					
Sales to customers	$1,050,599	$5,432,975	$4,236,167	$ 928,588		$ 11,648,329
Intersegment sales	8,771	67,415	348,012		$ (424,198)	
Total sales	1,059,370	5,500,390	4,584,179	928,588	(424,198)	11,648,329
Operating expenses	1,041,856	5,463,728	4,587,936	892,100	(402,810)	11,582,810
Operating income	$ 17,514	$ 36,662	$ (3,757)	$ 36,488	$ (21,388)	$ 65,519

b. Total assets, Depreciation and Capital Expenditures

	Industrial Material	Car Life	Trade	Home Life	Eliminations / Corporate	Consolidated
	Thousand of U.S. Dollars					
	2010					
Total assets	$ 229,723	$ 1,155,168	$ 561,203	$ 557,686	$ 324,003	$ 2,827,783
Depreciation	4,167	42,009	4,627	29,205	7,428	87,436
Impairment loss		812		1,328		2,140
Capital expenditures	3,455	35,142	3,699	15,112	4,660	62,068

Notes:

The Company changed the categorization of industry segments during the year ended March 31, 2010 due to group-wide integration and reorganization of overlapping businesses as follows:

- Transferred special sales business to Kokura Kosan Energy Co., Ltd., consolidated subsidiary, and reclassified the related financial information from the "Car Life" to "Trade"
- Assumed the marine fuel business from Kokura Kosan Energy Co., Ltd. and reclassified the related financial information from the "Car Life" to "Industrial Material"

The following is supplementary information for the year ended March 31, 2009, that has been reclassified the related financial information to conform to the presentation based on the current segmentation.

a. Sales and Operating Income

	Millions of Yen					
	2009					
	Industrial Material	Car Life	Trade	Home Life	Eliminations / Corporate	Consolidated
Sales to customers	¥ 130,590	¥ 599,932	¥ 309,912	¥ 124,274		¥ 1,164,708
Intersegment sales	60	1,889	15,381		¥ (17,330)	
Total sales	130,650	601,821	325,293	124,274	(17,330)	1,164,708
Operating expenses	127,332	596,401	323,228	122,286	(14,420)	1,154,827
Operating income	¥ 3,318	¥ 5,420	¥ 2,065	¥ 1,988	¥ (2,910)	¥ 9,881

b. Total assets, Depreciation, Impairment loss and Capital Expenditures

	Millions of Yen					
	2009					
	Industrial Material	Car Life	Trade	Home Life	Eliminations / Corporate	Consolidated
Total assets	¥ 16,955	¥ 95,277	¥ 38,346	¥ 44,560	¥ 52,449	¥ 247,587
Depreciation	335	3,223	198	1,360	517	5,633
Impairment loss		283		3		286
Capital expenditures	666	6,642	187	1,166	584	9,245

(2) Geographical Segments

Information on geographical segments is not presented due to the immateriality of the Companies' overseas operations.

(3) Sales to Foreign Customers

Information on the sales to foreign customers is not presented due to the immateriality of the Companies' overseas sales compared with consolidated net sales.

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
ITOCHU ENEX CO., LTD.:

We have audited the accompanying consolidated balance sheets of ITOCHU ENEX CO., LTD. (the "Company") and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ITOCHU ENEX CO., LTD. and consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 22, 2010

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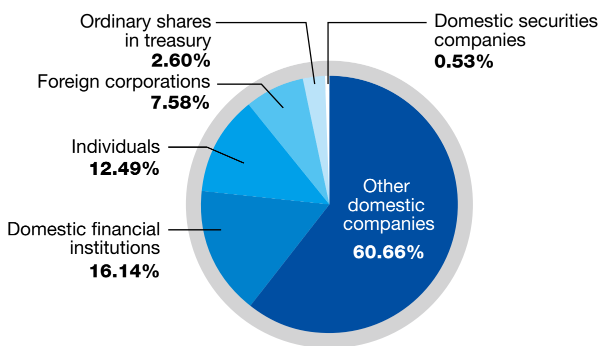
Shareholder Information

(As of March 31, 2010)

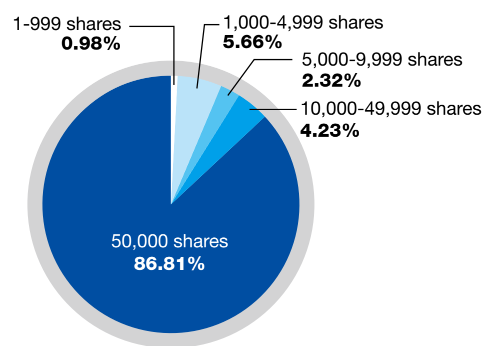
Total Shares and Shareholders

Number of shares authorized to be issued	387,250,000
Number of shares issued and outstanding	116,881,106
Number of shareholders	9,801
Trading unit of shares	100 shares

Shareholders, by type



Shareholders, by the number of shares held



Principal Shareholders

Shareholder	Number of shares held (thousands)	Investment ratio (%)
Itochu Corporation	60,947	52.15
Enex Fund	2,790	2.39
Japan Trustee Services Bank, Ltd. (trust account)	2,603	2.23
Nippon Life Insurance Company	2,203	1.88
The Master Trust Bank of Japan, Ltd. (trust account)	1,977	1.69
The Sumitomo Trust & Banking Co., Ltd.	1,974	1.69
Sinanen Co., Ltd.	1,570	1.34
Itochu Enex Employee Shareholding Association	1,535	1.31
JAPAN ENERGY CORPORATION	1,452	1.24
Sompo Japan Insurance Inc.	1,224	1.05

Business Procedures/Others

Stock Exchange Listing	Tokyo (First Section) Stock name: ENEX
Stock Code	8133
Method of Notification	Publication on the Company's homepage http://www.itcenex.com/english (In the event that public notice cannot be made via the Internet, the *Nihon Keizai Shimbun* newspaper will be used.)
Accounting Period	Ending March 31 of every year
Important Dates	Ordinary general meeting of shareholders: June Year-end dividend: March 31 Interim dividend: September 30

ITOCHU ENEX CO., LTD.

Annual Report
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