Annual Report 2011

Partnering with society and ordinary people

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

Fiscal Year Ended March 31, 2011

ITOCHU ENEX CO., LTD.

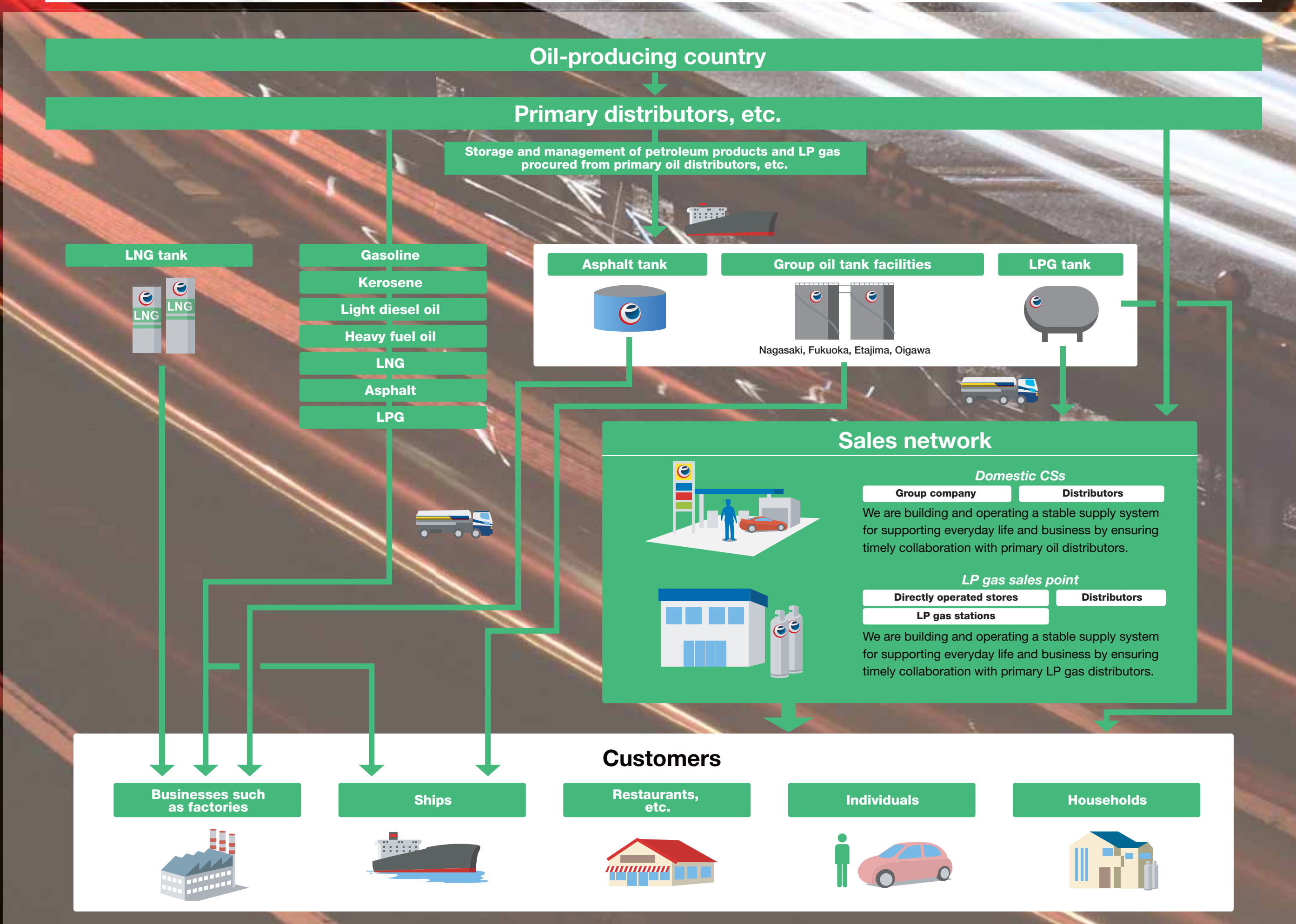
Company Overview

The expanding business of Itochu Enex begins with a single drop of oil

Through the sales network we have built over half a century, Itochu Enex delivers energy centered on petroleum products and LP gas to a variety of customers.

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

Flow of delivering petroleum products and LP gas to our customers



The nationwide energy network of Itochu Enex

The Group has established tank facilities, transportation facilities and a transportation network that is operated efficiently in locations throughout Japan. This supports the stable supply of petroleum products and LP gas to households and corporate customers.

Automotive Fuel Sales Network

Number of CSs nationwide: 2,144 (as of March 31, 2011)

No. 1 trading company-affiliated provider in terms of the number of CSs

(Including) Car Enex Mark CSs 417

Main products handled: Gasoline
Diesel

LP Gas Sales Network

Customers nationwide: Approx. 1 million households

Distributors 1,600
Auto gas stations 47

Applications: Home fuel, commercial fuel, vehicle fuel

City Gas Sales Area

Nakatsu-shi, Oita

Natural gas sold as household fuel and commercial fuel

Industrial Energy Sales Network

Corporate customers nationwide: Approx. 3,500 locations

Asphalt Sales Network

Asphalt terminals in seven locations nationwide

Expansion into the Global Market

Itochu Enex is also operating a petroleum products export business targeting overseas markets with growing energy demand

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 storage facilities


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	8,900KL

Asphalt terminal


Fukuoka Asphalt Terminal

Location	Fukuoka-shi, Fukuoka
ISO 14001 Certification	Acquired in 2001
Tank Capacity	Terminal 1 2,300 tons Terminal 2 1,800 tons

Other asphalt terminals: Kushiro, Rumoi, Sakurajima, Sasebo, Kajiki, etc.

City gas supply facility

Nakatsu Gas LNG Tank

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

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

Other high-pressure gas stations: Kita-kanto Branch, Chiba Branch, Buzen Factory (Kyushu), etc., of Itochu Industrial Gas

Kerosene centers

Location	Mainly in the Hokkaido region
Number	8

LP gas stations

Location	Nationwide
Number	43

Auto gas stations

Location	Nationwide
Number	47

We sell industrial energy and materials for resolving issues concerning the environment, energy conservation and cost reduction

Optimal energy usage balancing economic and environmental considerations is an important issue in industry. The Group supports industry through the stable supply of energy, and contributes to the advancement of society and industry by proposing comprehensive solutions such as the conversion of energy.

Industrial energy sales

The Group delivers diesel to transportation companies supporting transportation and logistics nationwide, and kerosene, heavy oil and LP gas as industrial fuels to the manufacturing industry and commercial customers in factories. In recent years, we have also been delivering LNG (liquefied natural gas), which is seeing a rapid rise in consumption in general industry.

Asphalt sales

We deliver asphalt and cement used for sealing roads and as industrial materials through our seven terminals in Japan and our nationwide sales network.

AdBlue urea solution for exhaust scrubbing

AdBlue is the global standard in high-grade urea solution used in urea SCR systems for breaking down and detoxifying NOx using a reduction reaction caused by ammonia when injected into diesel exhaust.

Fuel conversion from heavy oil to LNG

Consumption of LNG (liquefied natural gas) has been rapidly increasing in recent years. Based on our abundant knowledge and experience, we sell LNG in a variety of forms throughout the country.

High-pressure gas with growing needs in a wide range of areas

Itochu Industrial Gas Co., Ltd. is the only high-pressure gas company in the Enex Group. The company delivers industrial gas to meet the needs of customers in a variety of fields including steel, chemicals, electronics, food and medicine.

We are implementing a CS (Car-Life Station) strategy for meeting diversifying Car-Life needs by adopting the customer's perspective

The Company sells gasoline, kerosene, diesel and oil to 2,144 affiliated CSs, making us the No. 1 energy trading company in Japan in terms of scale. We are also creating CSs that are appealing to customers by quickly ascertaining changes in diversifying customer needs and providing a comprehensive range of automotive services.

Services that meet diversifying Car-Life needs

We have established a system for providing a variety of services ranging from car sales to vehicle inspection, maintenance and light bodywork services. We provide a variety of services based on the concept of the transition from SS (service station) to CS (Car-Life Station) of a new era.

- **Itsumo Rent-a-Car**
- **Car sales system**
- **Light bodywork**
- **Own brand of batteries**
- **Engine oil**

Supporting CS management with the latest IT

We have developed systems such as E3 (Enex Exciting Engine, a new POS system that includes an accounting system) and E3 Pro (independent E3 processing using the Internet and a computer) that utilize the latest IT and Internet technology to increase profitability of distributors and improve customer satisfaction.

We will promote project development in overseas markets with an eye to increased demand for energy in emerging countries

The Company imports, exports and domestically sells petroleum products as the core of petroleum product trading in the Itochu Group. We also boast the leading share in the industry selling marine fuels in major ports inside and outside Japan. In addition, we charter and operate tankers globally.

Petroleum product trading

We import, export and domestically sell petroleum products.

Sale of marine fuels

We trade and sell marine fuels in all major ports inside and outside Japan.

Tanker operation and chartering

We globally arrange and operate petroleum product tankers in an effort to support logistics spanning the entire world.

Tank ownership

The Company has built a robust supply network to respond to customers' needs through the construction of tanks nationwide.

Development of overseas projects

The Project & Investment Department was established in April 2011. We have been working with Itochu Corporation to actively expand business overseas in an effort to start activities leading to the growth of the Group.

◆◆ Overseas language training for mid-level personnel

With our full-scale entry into overseas business, we have launched an overseas language training program centered on mid-level personnel who have been with the company for five to ten years. By establishing an original training program, we are working to develop human resources that are able to work overseas.

We operate LP gas and city gas businesses providing energy for an environment-friendly lifestyle

We deliver LP gas and city gas to households and corporate customers nationwide as energy for an environment-friendly lifestyle. In our fuel supply business for LP gas vehicles, mainly taxis, we operate auto gas stations throughout Japan.

LP gas and city gas sales business

LP gas is used as fuel for cooking, hot water and heating in homes and a myriad of facilities, and it is also used as industrial fuel. We deliver LP gas and city gas to approximately one million households and corporate customers through our Group companies and distributors nationwide.

Kurashi-no-Mori providing proposals for comfortable lifestyles

We conduct a variety of businesses through magazines and websites providing proposals for comfortable and rich lifestyles that are environment-friendly, thanks to the use of LP gas.

Auto gas business

We operate auto gas stations with our Group companies nationwide.

Transforming distributor operations through the promotion of IT

In order to respond to the rapidly changing business environment and meet the diverse needs of our customers, we are developing service systems and sales management systems utilizing the latest IT and Internet technology, and providing these systems to distributors in an effort to bolster their sales operations.

Expanding the scope of energy and providing the “best mix” of energy

The Company is engaged in the research and development of renewable energy sources such as solar power, fuel cells, biomass and wind power, and in fact has been selling these energy sources through businesses since 2009.

Total support of photovoltaic power generation

Working with Ecosystem Japan Co., Ltd. (a company in the Itochu Group), which has a proven track record in the design and implementation of photovoltaic power generation systems, we provide a complete service including recommending the optimal system for each customer, installation and maintenance.

Double power generation for maximizing the benefits of energy creation

Double power generation systems combining photovoltaic power generation and ENEFARM are environment-friendly and economical. The Group provides comprehensive support ranging from design and installation to maintenance, and is actively supplying these systems to households nationwide.

ENEFARM residential fuel cells for creating electric power and hot water

In addition to ENEFARM sales, we also support stable ENEFARM operations through the stable supply of LP gas.

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

E-COOL boasts the same or better energy-saving properties as LED lighting, while costing less to implement than LED lighting. It is a revolutionary type of next-generation lighting that will reduce power costs and CO_2 emissions by approximately 40%.

Toward a low-carbon society

Efforts in the rechargeable battery business

Rechargeable batteries are playing an increasingly larger role in the use of renewable energy sources. The Company has positioned the rechargeable battery business as another key area in the era of new energy, and we are actively engaged in expanding this business.

Participation in an EV project in Okinawa

We have invested in AEC (Head office: Naha, Okinawa), a company that installs, operates and manages rapid and medium-speed recharging facilities in Okinawa Prefecture. Through AEC’s business, we will gain know-how about electric vehicle infrastructure and schemes, and utilize this knowledge in our CS (Car-Life Station) network with the aim of creating a low-carbon society.

We aim to strengthen efforts in businesses related to electric power in order to continue to deliver the “best mix” of energy

We submitted notification of the start of operations as a power producer and supplier in July 2010, and commenced electric power retail sales in October 2010. Furthermore, in February 2011 we became the largest shareholder in IP Power Systems Corporation (IPPS), a bulk power purchaser for collective housing, when we acquired a 22.5% stake in the company. JEN Holdings Co., Ltd. (JEN), a company that supplies power and heat to factories, also became a wholly owned subsidiary, in March 2011. In the future, we will actively engage in electric power-related businesses in order to deliver the best mix of energy.

JEN Holdings Co., Ltd.

Supplying power and heat to factories

JEN produces electric power, steam and water, and provides these to nearby factories while selling surplus electric power to power companies.

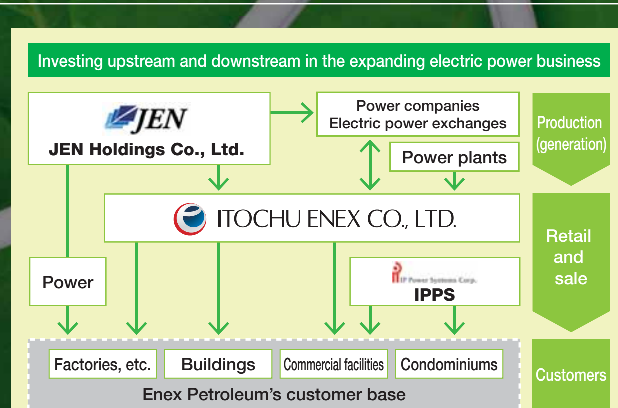
JEN has a diverse range of power sources, from fossil fuels such as coal, heavy oil and natural gas to green power such as hydropower and wind power. Its other strength is technology involving the efficient maintenance and management of power facilities.




IP Power Systems Corporation (IPPS)

A leading company in bulk power purchasing services

IPPS is a leading company in bulk power purchasing, specializing in reducing customers’ power costs by purchasing power for collective housing in bulk, and distributing the power to each household. Using unique smart meters, the company has built a power distribution system with which it provides services enabling remote monitoring, meter reading and power source conversion around the clock, 365 days a year.



We are operating new consumer-oriented businesses centered on energy

Establishment of the Total-Life Division

The Group has conducted sales of photovoltaic power generation systems and ENEFARM residential fuel cells in the past, but the Total-Life Division was established in April 2011 to propose more comfortable lifestyles to consumers. By delivering a variety of eco energy that makes lifestyles richer, we aim to provide and create new lifestyle alternatives that merge the car and the home. We will also develop businesses that generate demand from a consumer perspective by changing the way we think to provide not only “goods” but also “concepts.”

The Three Concepts of the Total-Life Division

1. **Creation of new lifestyle alternatives merging the car and the home**
2. **Expansion of the functionality of CSs as local energy sources (Aiming to create hubs for consumers in local communities)**
3. **Expansion of business as a comprehensive energy provider for consumers (Entry into B-to-C business)**

Selling the “e-runner” electric vehicle with a detachable battery through Group CSs*

* Offered at 115 locations as of June 30, 2011

Features of the “e-runner” electric vehicle

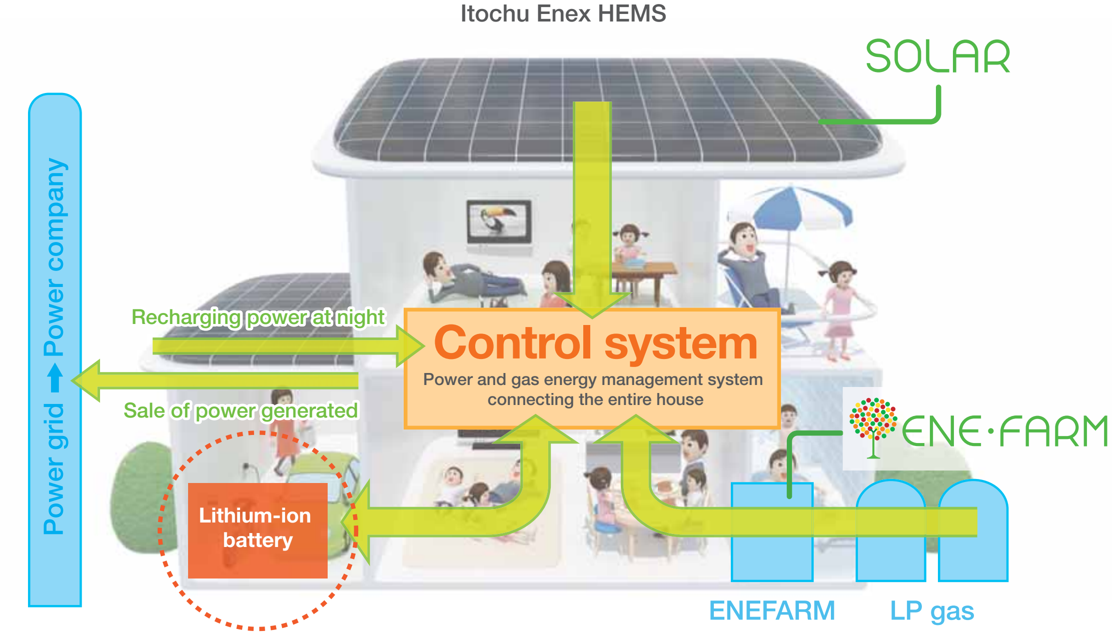
The e-runner has a lightweight, compact design weighing just around 50kg with a length of 155cm. The battery can be detached and taken indoors, where it can be recharged using a standard 100V power outlet. There is an urgent need to reduce peak power consumption due to the effects of the earthquake, and this battery can be used to effectively utilize power at night, when there is less demand for power.

The battery can be recharged as easily as recharging a mobile phone.

Development of Enex HEMS for creating and storing energy

Depiction of Enex HEMS

Itochu Enex HEMS



The Group is developing HEMS (Home Energy Management System), a residential lithium-ion power storage system. The system is able to provide an efficient power supply when used in combination with solar power and residential fuel cells, and can also be automatically recharged when power is less expensive at night. Furthermore, it features a separate rechargeable battery and control system, offering the flexibility to choose the battery capacity that best suits each customer's lifestyle. The Enex HEMS creates and stores energy, enabling a household to meet its own power needs at any time. Trials are currently under way with the aim of launching the product in autumn 2011.

Providing the best mix of three types of energy

Power is created in solar panels and fuel cells, and stored in rechargeable batteries when power is less expensive at night. Energy self-sufficiency can be achieved through the best mix of these three types of energy.

What is HEMS?

HEMS is an acronym for Home Energy Management System, which is connected via an IT network to household appliances used in the home, and controls the supply of power.

The system has sufficient rechargeable battery capacity (12kWh, 6kWh) for home use and output of 3kW, and it can also be used in commercial and industrial applications depending on the size of the rechargeable battery.

We will continue to adopt the consumer's viewpoint in local communities to consider the future of energy and how people live

Proposal of services that increase convenience to consumers in local communities

The new concept of hiring a rental car from a CS: Providing convenient transportation for people who do not own cars injects life into a town

With the increasing apathy of younger generations toward car ownership, the concept of having a car is changing from something that is bought to something that is rented. Against this backdrop, the Group introduced the Itsumo Rent-a-Car used rental car service in April 2009, utilizing existing CSs as part of its efforts to create CSs as hubs in local communities. This move has been well received as a service for improving convenience in local communities, not only by customers in these communities but also by people within the industry. As of March 31, 2011, the service was available in 331 locations, an increase of 94 since March 31, 2010.

Next-generation CS efforts

Making CSs into next-generation energy supply points

The Company sees CSs as being the most effective supply points for next-generation energy. We have been accumulating know-how on the rapid charging of electric vehicles and building CS infrastructure to support next-generation energy by participating in a variety of projects. We will propose, and aim to realize, next-generation CSs as energy supply points in communities in response to diversifying energy needs, in our efforts to provide comfortable lifestyles to consumers.

Kurashi-no-Mori for lifestyle support

The Home-Life Division that delivers LP gas to homes proposes comfortable lifestyles to households in local communities through ideas related to energy, the environment and living. Various products, services and related lifestyle information are introduced through the *Kurashi-no-Mori* magazine and website. We aim to make everyone feel better in their everyday lives while keeping in touch with people in local communities.

Contents

Cautionary Statements

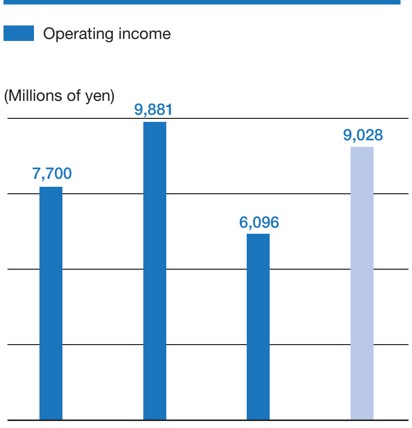
The forward-looking statements addressed in this report such as the outlook on the Company's future performance were judged appropriate by the management of the Company based on information available at the time of publication. Please note that actual results may differ considerably from the current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

Consolidated Financial Highlights

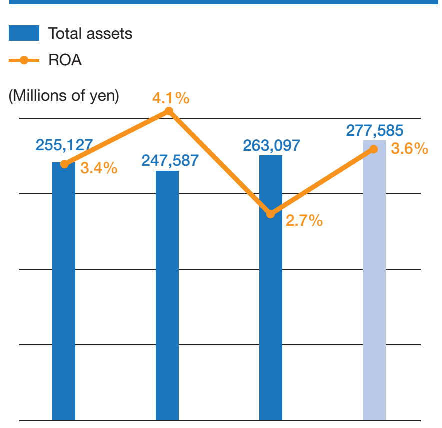
Years ended March 31	2008	2009	2010	2011	2011
Results of Operations (Millions of yen)					(Thousands of U.S. dollars)
Net sales	1,093,752	1,164,708	1,083,761	1,185,732	14,260,150
Operating income	7,700	9,881	6,096	9,028	108,571
Net income	4,187	5,419	4,360	3,884	46,709
Financial Position at Year-End (Millions of yen)					(Thousands of U.S. dollars)
Total assets	255,127	247,587	263,097	277,585	3,338,370
Total equity	83,708	90,886	92,058	94,123	1,131,970
Cash Flows (Millions of yen)					(Thousands of U.S. dollars)
Cash flows from operating activities	14,189	29,263	4,962	11,481	138,077
Cash flows from investing activities	(5,022)	(1,704)	(3,613)	(8,299)	(99,805)
Cash flows from financing activities	(8,804)	(24,839)	(16,988)	(7,091)	(85,281)
Cash and cash equivalents at end of year	33,909	43,219	27,598	23,735	285,452
Amounts per Share (Yen)					(U.S. dollars)
Net income: Basic	45.65	52.44	37.46	34.12	0.41
Diluted	45.65	—	—	—	—
Net assets	891.59	759.66	791.24	805.95	9.69
Ratios (%)					
ROE	5.13	6.35	4.88	4.27	
ROA	3.4	4.1	2.7	3.6	
Shareholders' equity ratio	32.06	35.85	34.24	33.05	
For Reference					
Number of employees	2,954	3,605	3,528	3,441	
[Others, average number of temporary employees]	[954]	[1,969]	[2,026]	[2,070]	

Notes: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥83.15=U.S.$1, the approximate Tokyo foreign exchange market rate as of March 31, 2011.
2. Number of employees excludes personnel seconded by the Group but includes personnel seconded to it.

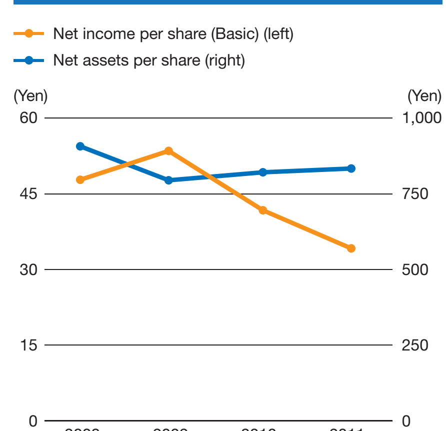
Operating Income



Total Assets and ROA



Amounts per Share



A Message from the President

First of all, I would like to thank our stakeholders for their ongoing support. On behalf of the Itochu Enex Group, I would also like to express my condolences to everyone affected by the Great East Japan Earthquake, and pray for the earliest recovery possible.

On January 28, the Itochu Enex Group marked its 50th anniversary. This was made possible by the unwavering support of our stakeholders and a variety of people throughout society. We have made a new start based on the vision “Embracing the future with energy solutions” with the desire to work hand in hand with everyone. Creating “healthy towns” where people lead active and productive lives, we plan to transform our company into one that everyone needs. With countless people suffering because of the unprecedented disaster, we believe that now is the time to put our vision into action. We are confident that the next stage to which the Group aspires will enable society to overcome these hardships.

We look forward to the continued support of our stakeholders.

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

Acknowledging our role as a company that provides social infrastructure, we will continue to engage in medium- to long-term disaster relief.

We established a Disaster Headquarters soon after the earthquake struck to conduct damage surveys and undertake relief efforts without delay.

I would like to begin by expressing my deepest sympathies to everybody affected by the Great East Japan Earthquake of March 11.

Although the Itochu Enex Group did not suffer any human losses, offices and sales facilities were damaged. The Group established a Disaster Headquarters (headed by President Akira Kodera) immediately after the earthquake struck. On March 28, an on-site headquarters was established, and a three-person on-site disaster relief team was dispatched with the aim of rapid recovery and reconstruction. Every effort was made to provide support to sales and employees, and to conduct damage surveys.

Since the disaster, the Group has been working swiftly to address issues regarding distribution, among other concerns, and will remain engaged in medium- to long-term disaster relief efforts until it is clear that full recovery has taken place. We view these efforts as an opportunity to help realize our vision “Embracing the future with energy solutions.”

Damage Caused by the Great East Japan Earthquake, and Charity Activities and Relief Efforts

Status of Damage

Human loss

In the aftermath of the earthquake, we confirmed that all Itochu Enex Group employees, employees’immediate families and part-time employees were safe. However, some employees lost their relatives or homes as a result of the tsunami.

Damage to facilities

Car-Life Division
As of April 18, 2011, six CSs* suspended operations due to damage to facilities or the effects of the nuclear accident.

* CS: Car-Life Station (comprehensive service station provided by the Group)

Home-Life Division
137 directly operated stores were affected by the earthquake, suffering damage to water heating piping, among other systems and facilities. 14 distributors were also affected.

Industrial Material Division
The Shiogama Terminal for AdBlue was damaged, but it has since been restored.

Global Trade Division
The Winning Road Kashima CS (Ibaraki) of Kokura Enterprise Energy Co., Ltd., a Group company, has suspended operations due to damage to its facilities.

Damage to offices

Although there was some damage, operations were not affected.

Damage to network systems

There was no serious damage to these systems.

Charity Activities and Relief Efforts

Charity activities

- Donations collected from Enex members throughout Japan were presented to stores in the affected areas.
- Donations of 26.66 million yen collected from officers and employees of the Company and the Itochu Enex Group were presented to eight organizations, including local government organizations, the Keidanren (Japan Business Federation) and the Japanese Red Cross Society.

Relief efforts

- Provided relief supplies such as water, food and fuel.
- Donated 10 Itsumo Rent-a-Car vehicles and 50 electric bikes.
- Loaned cooking equipment based on a large-scale disaster agreement.
- Donated emergency solar power generation systems.

We will work to strengthen the foundation of our core business to propose new lifestyles and conveniences optimized for a low-carbon society.

Due to the impact of the Great East Japan Earthquake, it is inevitable that there will be heightened demand for advanced use of fossil fuels, reductions in CO_2 and renewable energy.

In fiscal 2011, we will maintain our corporate philosophy of "Partnering with society and ordinary people—In the energy field, in the car, in the home," as we continue to face the challenge of proposing new lifestyles and new conveniences best suited to a low-carbon society while endeavoring to strengthen the foundation of our core business. We will also actively engage in reconstruction and relief efforts in regions that have suffered enormous damage from the Great East Japan Earthquake.

Pursuing synergies amid a difficult business environment has led to new efforts.

Since April 2008, the Itochu Enex Group has been executing its Core & Synergy 2010 medium-term business plan. This plan aims to increase earnings by taking action ahead of changes in the business environment, based on the 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.″ However, the changes that took place in the business environment since the plan was formulated greatly exceeded anything we imagined.

Demand rapidly declined in the wake of the bankruptcy of Lehman Brothers in September 2008, and the industrial structure and growth strategy that had existed until that time needed to be rebuilt. The Basic Energy Plan, amended in June 2010, forecast that demand for petroleum products would fall by 3 percent or more each year, while indicating a shift toward using nuclear power, LNG and renewable energy sources as the primary sources of electric power, based on calls for a low-carbon society. Furthermore, reorganization of primary distributors proceeded rapidly, with the implementation of a new pricing scheme and the consolidation and closure of refinery facilities. In addition, the Great East Japan Earthquake that struck in March of this year dealt a significant blow to the Japanese economy, and, as a result, we will be forced to revise the Basic Energy Plan in the future.

Amid these truly dramatic changes, the Group has continually pursued synergies by ensuring that management and employees share a common awareness through such initiatives as implementing suggestion reports and engaging in activities involving a new business task force. In September 2009, the Fuel Cell, Solar & Electric Vehicle Business Department was established to respond to calls for a low-carbon society. The Group entered the electric power wholesale business in December 2009, and the electric power business in July 2010 with its certification as a power producer and supplier (PPS). In addition, in April 2011, the Company established a Total-Life Division, which proposes new lifestyles merging vehicles and homes by delivering eco energy, and a Project & Investment Department in the Global Trade Division using overseas business development as a foundation for future advancements.

The Group's new medium-term business plan further cultivates the core business of sales of petroleum products that was established throughout the duration of Core & Synergy 2010, while clearly stating management's medium-term direction, to actively work on new business models.

Core & Synergy 2010: Measures and Results

By fostering Group unity from fiscal 2008 through fiscal 2010, the ITOCHU ENEX Group has endeavored to develop global businesses horizontally and vertically, and has aimed to preempt change and increase earnings based on the basic policy of strengthening core businesses and creating synergies. We have also taken a variety of steps to respond to the sudden changes that have occurred since the plan was formulated.

The management resources and know-how accumulated during this period will be carried over to the Group's new Core & Synergy 2013 medium-term business plan.

> 2008

Announcement of the Group's Core & Synergy 2010 medium-term business plan
Moves to the next stage, focusing on reforms

Konan Fleet Corporation becomes Group company
Strengthens corporate diesel sales network

Energy Trade Division established
Petroleum products trade and logistics business launched

Head office relocated to Shibaura, Minato-ku, Tokyo

> 2009

Japan Gas Energy Corporation established to integrate distribution and wholesale business
A comprehensively competitive LP gas business group

Itsumo Rent-a-Car used car rental service launched
A new service based on the customer's perspective

Fuel Cell, Solar & Electric Vehicle Business Department established
Strengthens efforts aimed at new energy

> 2010

Joins the Itochu Group's Green Crossover Project
Participation in trial project for next-generation traffic system in Tsukuba, Ibaraki

Electric power wholesale business launched

Group companies restructured
Sales organizations optimized in each area of business

> 2011

Invests in IP Power Systems Corp. and JEN Holdings Co., Ltd.
Strengthens efforts in the electric power business

Establishes Fuel Cell, Solar & Electric Vehicle Business Dept.

Establishes Total-Life Division (April 2011)

We established the Total-Life Division to propose new lifestyles that merge homes and vehicles, by delivering eco energy through the sale of solar power generation and ENEFARM systems, the establishment of rapid charging infrastructure for electric vehicles, and the development of "e-runner" electric vehicles and home energy management systems (HEMS).

Launches Electric Power Wholesale Business

Strengthens Efforts in the Electric Power Business (February 2011)

As the business environment changes, we are working to strengthen our electric power business by bolstering the lineup and functions of our energy products to meet the needs of our customers. We began with the wholesale of electric power and subsequently entered the electric power retail business, leading to participation in the management of IP Power Systems Corp. and making JEN Holdings Co., Ltd. a Group company.

We have formulated a new medium-term business plan for the Group as we move to the next stage, which focuses on reforms.

The year 2011 is a milestone for Itochu Enex, marking 50 years since the Company was founded. We will continue to actively engage in new business models while expanding and growing the management direction formed during the period under Core & Synergy 2010. The three years beginning in 2011 have been positioned as Phase II of the Group's business plan—a period for further advancement. For this phase, the Group has formulated a new medium-term business plan, Core & Synergy 2013, under which the Group will implement a number of reforms, centering on a growth strategy, by fostering unity across the Group.

The basic policy of Core & Synergy 2013 is to strengthen and improve core businesses, deploy demand-generating business from the consumer's perspective and realize sustained growth with local communities as a company proposing the best mix of energy with the aim of expanding earnings.

New Medium-Term Business Plan

The Group's New Core & Synergy 2013 Medium-Term Business Plan

Establishing Phase II as the next stage of the Group's business plan, which focuses on reforms

Period

Three years (FY2011– FY2013)

Positioning

In addition to expanding and growing the direction of management formed under Core & Synergy 2010, we will actively engage in new business models, and position this phase as a period for establishing a foundation for making further advances starting with our 50th anniversary.

Basic Policy

We will mobilize the wealth of networks and assets developed over our first 50 years of business to increase earnings while strengthening and upgrading our core businesses, developing demand-creative businesses from the consumer's standpoint, and realizing sustained growth in tandem with local communities as a provider of "best mix" energy solutions.

Quantitative Targets* (Consolidated targets for FY2011)

Net sales	¥ **1,269** billion
Operating income	¥ **9.3** billion
Ordinary income	¥ **9.5** billion
Net income	¥ **4.0** billion
ROE	**4.3** %
EPS	¥ **35.1**

* Quantitative targets for FY2012 and FY2013 will be disclosed upon assessing developments in the Group's business environment, including such factors as future energy policies and trends, and the medium- to long-term impact of the Great East Japan Earthquake.

Organizational Changes for Implementing

Core & Synergy 2013

New Organization (April 1, 2011)	
	Industrial Material Division
	Car-Life Division
The former Energy Trade Division	Global Trade Division
	Home-Life Division
New division	Total-Life Division

Establishment of Total-Life Division

- Implementation of *kotozukuri* (innovation) providing consumers with new experiences and discoveries through energy
- Implementation of a B-to-B-to-C business merging cars and homes for consumers

Industrial Material Division and Establishment of Energy Management Department

- Provision of energy management functions such as electric power, centered on petroleum products, natural gas and renewable energy

Global Trade Division, Establishment of Project & Investment Department and Integration of the Marine Fuel Sales Business

- Energy Trade Division renamed as Global Trade Division to mark its new role in global business
- Execution of overseas project development leveraging the expertise of the Itochu Group
- Integration of Bunker Sales Department of Industrial Material Division into Marine Fuel Department of Global Trade Division

The Total-Life Division was established on April 1, 2011 to restructure the Group's organization to enable the swift, efficient and global implementation of the Group's new medium-term business plan. Organizational changes were implemented, including the establishment of the Energy Management Department in the Industrial Material Division and the Project & Investment Department in the Global Trade Division (the former Energy Trade Division).

Core & Synergy 2013 prioritizes the implementation of five measures: (i) improvement of petroleum product distribution functions; (ii) deployment of demand-generating business from the consumer's perspective; (iii) transformation into a company providing the best mix of energy; (iv) active expansion of overseas business; and (v) medium- to long-term support activities aimed at post-earthquake reconstruction.

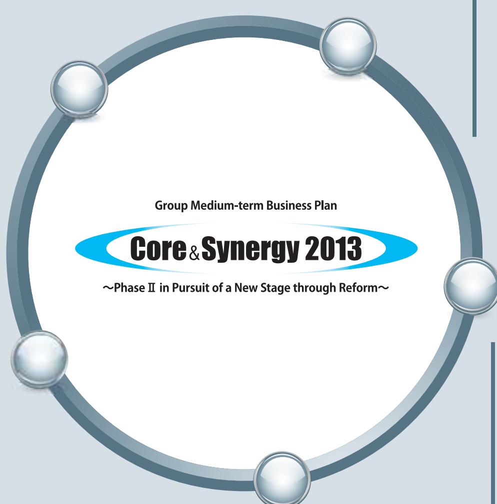
Key Efforts

Improvement of petroleum product distribution functions

- Enhancing logistics functions utilizing the Group's network of petroleum tanks
- Improving relations with primary distributors and expanding CSs through a private branding strategy

Transformation into a company providing the best mix of energy

- Expanding electric power business (strengthening efforts by JEN, IPPS)
- Developing and promoting home energy management systems (HEMS)
- Strengthening efforts and expanding sales of fuel cells, solar cells and rechargeable batteries



Deployment of demand-generating business from the consumer's perspective

- Creating new lifestyles that merge vehicles and homes through the sale of eco energy
- Selling electric bikes ("e-runner"), electric vehicles (EVs) and EV conversion kits
- Undertaking next-generation CS efforts
- Rebuilding the remodeling business through M&A, etc.

Active expansion of overseas business

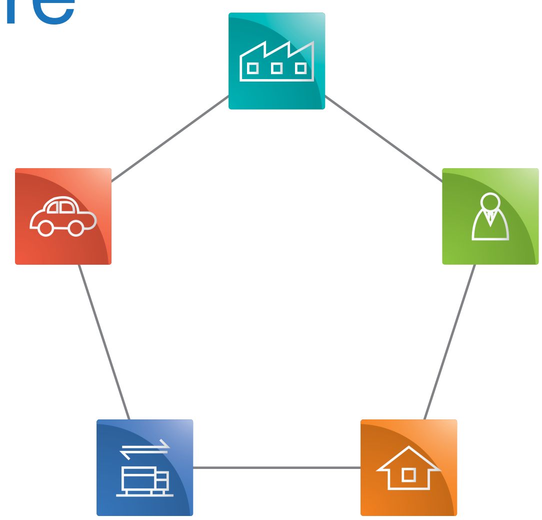
- Acquiring a stable investment portfolio
- Growing earnings in commercial distribution and logistics
- Entering the retail market

Medium- to long-term support activities aimed at post-earthquake reconstruction

- Participating in medium- to long-term reconstruction support efforts using Itochu ENEX management resources until reconstruction is achieved
- Implementing social contribution activities by establishing unique disaster relief know-how

Business Structure and Segments

The Enex Group is Moving to the Next Stage



Five divisions work together based on the sales network that we have built.

The Group had previously conducted business centered on four divisions: the Industrial Material Division, the Car-Life Division, the Energy Trade Division and the Home-Life Division. In April 2011, the Energy Trade Division was renamed the Global Trade Division, and the Total-Life Division was established to propose new lifestyle alternatives merging the car and the home by delivering eco-energy to consumers. The current organization is made up of five divisions.

Industrial Material Division

As experts on industrial energy, the Industrial Material Division proposes optimal energy use to corporate customers.

Major products and services

Industrial energy and materials

Petroleum products: gasoline, kerosene, diesel, heavy oil, asphalt, industrial LP gas, LNG, high-pressure gas
Electric power: wholesale and retail sales

Environment-friendly products

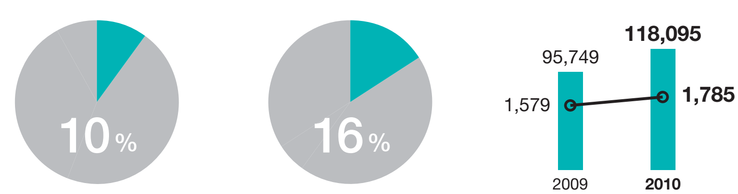
High-grade urea (AdBlue)
CCFL fluorescent lights (E-COOL)

Other

Groundwater membrane filtration systems

Results in Fiscal 2010

Percentage of net sales | Percentage of operating income | Sales and operating income (Millions of yen)



Sales totaled 118,095 million yen (up 23.3%).
Operating income totaled 1,785 million yen (up 13.0%).

Car-Life Division

The Car-Life Division provides comprehensive automotive solutions through energy supply points in towns to bring about a society where people can live comfortably in harmony with their cars.

Major products and services

Products and services responding to Car-Life needs

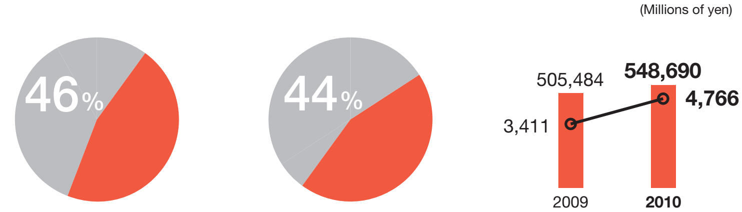
Petroleum products: gasoline, kerosene, diesel, oil
Card services: Car Enex Itsumo Card
Car-Life support business: Itsumo Car Net, Itsumo Repair, e-Battery, Enex Oil, Enex Washer, tires
Vehicle inspection and maintenance services: Holiday Vehicle Inspections
Light bodywork: Itsumo Repair

Businesses related to eco-homes (in conjunction with the Total-Life Division)

Sale of residential photovoltaic power generation systems, ENEFARM residential fuel cells and double power generation combining these

Results in Fiscal 2010

Percentage of net sales | Percentage of operating income | Sales and operating income (Millions of yen)



Sales totaled 548,690 million yen (up 8.5%).
Operating income totaled 4,766 million yen (up 39.7%).

Global Trade Division

* Name changed from Energy Trade Division in April 2011.

The Global Trade Division* operates businesses related to petroleum products and ships worldwide, and is also focusing on the development of new projects.

Major products and services

Petroleum product trading

Import, export and domestic sale of petroleum products as the core of petroleum product trading in the Itochu Group

Tanker operation and chartering

Global arrangement and operation of petroleum product tankers

Sale of marine fuels

Trading and selling marine fuels in major ports inside and outside Japan

Tank ownership

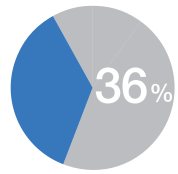
Creation of a robust supply network to respond to customers' needs through tanks owned nationwide

Development of overseas projects

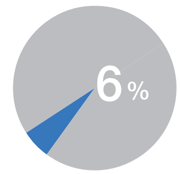
Implementation of the development of new projects overseas in coordination with the Itochu Group

Results in Fiscal 2010

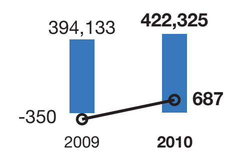
Percentage of net sales



Percentage of operating income



Sales and operating income
(Millions of yen)



Sales totaled 422,325 million yen (up 7.2%).
Operating income totaled 687 million yen
(compared with an operating loss of 350 million yen recorded in the previous fiscal year).

Home-Life Division

The Home-Life Division provides lifestyle-related products and services such as LP gas, city gas, and kitchen and bathroom remodeling.

Major products and services

Energy-related businesses

LP gas: household and commercial (restaurants, etc.)
City gas: sold in Nakatsu-shi, Oita
Auto gas: operation of auto gas stations providing fuel to LP gas cars

Businesses related to eco-homes (in conjunction with the Total-Life Division)

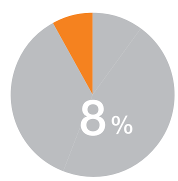
Sale of residential photovoltaic power generation systems, ENEFARM fuel cells, and double power generation combining these

Lifestyle-related businesses

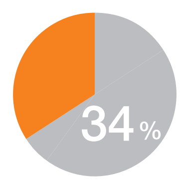
Kurashi-no-Mori providing proposals for comfortable lifestyles, with remodeling services ranging from consulting to implementation

Results in Fiscal 2010

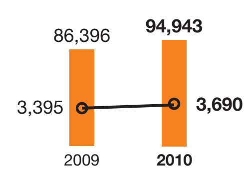
Percentage of net sales



Percentage of operating income



Sales and operating income
(Millions of yen)



Sales totaled 94,943 million yen (up 9.9%).
Operating income totaled 3,690 million yen (up 8.7%).

Total-Life Division

The Total-Life Division creates new lifestyle alternatives such as proposing eco-homes merged with eco-energy.

Major businesses

The Total-Life Division delivers environment-friendly and economical eco-energy through the sale of solar power generation systems and ENEFARM residential fuel cells, and through the development of the Home Energy Management System (HEMS), which is a residential lithium-ion rechargeable battery system. The division also operates the Itsumo Rent-a-Car business and the Itsumo Car Net car sales business, while also selling e-runner electric vehicles. It is working to provide all consumers with comfortable lives by creating new lifestyle alternatives that combine the car and the home.

The Three Concepts of the Total-Life Division

1. Creation of new lifestyle alternatives merging the car and the home
2. Expansion of the functionality of CSs as local energy sources (Seeking increased value as lifestyle infrastructure)
3. Expansion of business as a comprehensive energy provider for consumers (entry into B-to-C business)

Products and businesses related to eco-homes


Photovoltaic power generation


ENEFARM (Residential fuel cells)


Double power generation systems

Development of HEMS

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 Global Trade Division Home-Life Division Total-Life Division
Principal Locations	Hokkaido, Tohoku, Kanto, Shuto-ken, Chubu, Kansai, Chugoku & Shikoku, Kyushu *Other branches are located in regions throughout the country.
ITOCHU ENEX Group	Consolidated subsidiaries: 25 Non-consolidated subsidiaries (covered by the equity method): 18 Affiliates (covered by the equity method): 18 (As of March 31, 2011)
Number of Employees	644 (simple substance basis) (including 197 at subsidiaries) 3,441 (on a consolidated basis) (As of March 31, 2011)
Stock Exchange Listing	Tokyo; 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

- ITOCHU INDUSTRIAL GAS CO., LTD.
- JEN HOLDINGS CO., LTD.
- ENEX FLEET CO., LTD.
- KYUSHU ENERGY CO., LTD.
- ENEX PETROLEUM SALES NISHI-NIHON CO., LTD.
- ENEX PETROLEUM SALES HIGASHI-NIHON CO., LTD.
- TOHOKU TANKU SHOUKAI CO., LTD.
- ENEXAUTO CO., LTD.
- KOKURA ENTERPRISE ENERGY CO., LTD.
- ECORE CO., LTD.
- ITOCHU ENEX HOME-LIFE KANTO CO., LTD.
- ITOCHU ENEX HOME-LIFE NISHI-NIHON CO., LTD.
- ITOCHU ENEX HOME-LIFE CHUBU CO., LTD.
- ITOCHU ENEX HOME-LIFE TOHOKU CO., LTD.
- ITOCHU ENEX HOME-LIFE KANSAI CO., LTD.
- ITOUCU ENEX HOME-LIFE HOKKAIDO CO., LTD.
- ITOCHU ENEX SUPPORT CO., LTD.

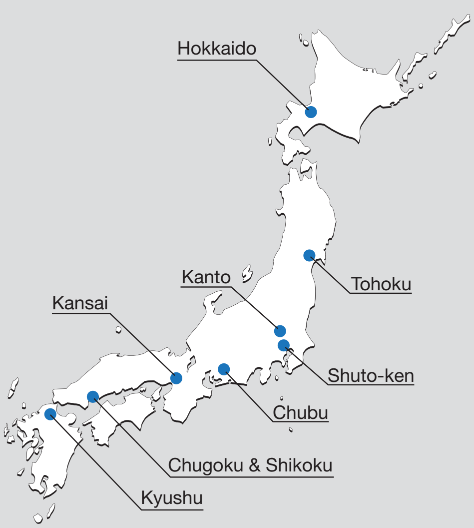
*The companies whose shares of which Itochu Enex Co., Ltd. owns more than 50% are listed here.

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
        - Asphalt Department
        - Industrial Energy Sales Department
        - Energy Management Department
      - Car-Life Division
        - Planning & Administration Department
        - Hokkaido Branch
        - Tohoku Branch
        - Kanto Branch
        - Shuto-ken Branch
        - Chubu Branch
        - Kansai Branch
        - Chugoku & Shikoku Branch
        - Kyushu Branch
        - Supply Administration Department
      - Global Trade Division
        - Planning & Administration Department
        - Project & Investment Department
        - Products Trade & Logistics Department
        - Tanker Department
        - Marine Fuel Department I
        - Marine Fuel Department II
      - Home-Life Division
        - Planning & Administration Department
        - Sales Promotion Department
        - Security System Department
        - Nakatsu-Gas Branch
      - Total-Life Division
        - Planning & Administration Department
        - Marketing Department
        - Total-Life Development Department
      - 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
        - 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 Asphalt Terminal
- Etajima Oil Terminal
- Fukuoka Oil 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

(As of April 1, 2011)

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. Management 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.

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. One outside director is 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.

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.

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 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 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, among other matters.

Internal Control Report for Fiscal 2010

The Company filed the Internal Control Report regarding financial reporting for fiscal 2010 on June 23, 2011, 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.

The Internal Control Report for fiscal 2010 is posted on our website.

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 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.

Reinforcement of the Business Administration System

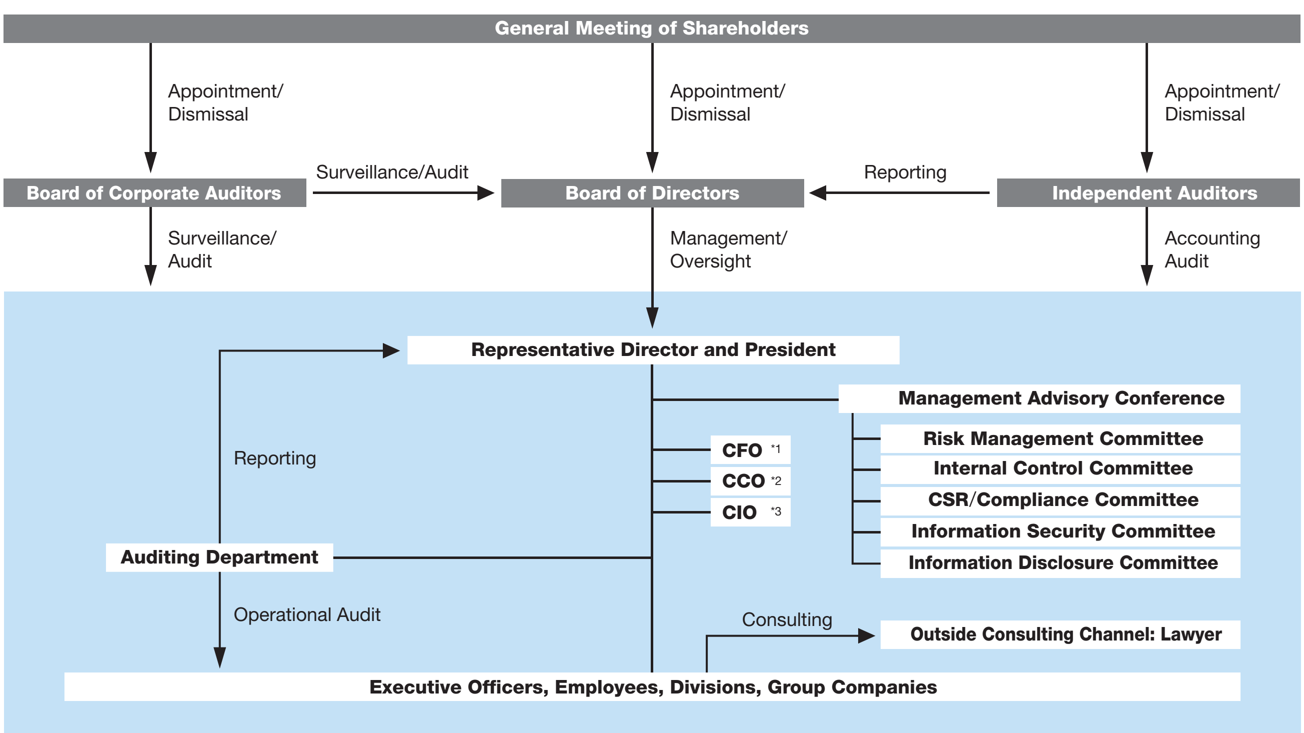
The Company quickly and precisely handles important management-related issues. The Company also strives to reinforce its business administration system and raise the efficiency and effectiveness of organizational operations in the pursuit of sound growth and development of the Group.

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.

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 compliance 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 Risk Management Committee recognizes the risks of the entire Group, 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.

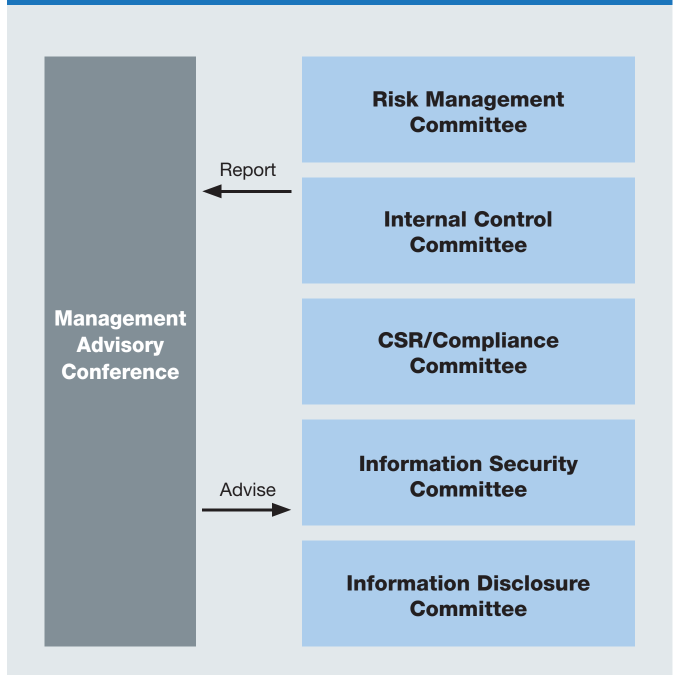
Information Security Committee

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.

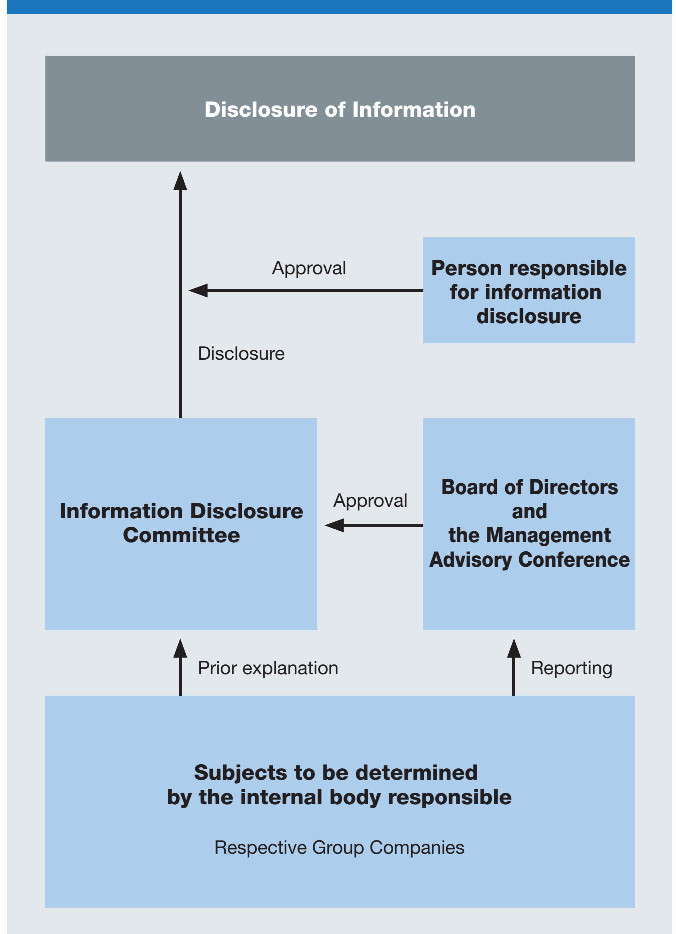
Information Disclosure Committee

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 July 1, 2011)


Representative Director and President
Akira Kodera


Representative Director and Senior Managing Officer
Hiroshi Arai
Duties Officer for the Global Trade Division and President for Kokura Enterprise Energy Co., Ltd.


Representative Director and Senior Managing Officer
Akira Doi
General Manager for the Total-Life Division


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 Corporate Planning & Development Division and Chief Compliance Officer and Officer for Post-Disaster Recovery and Reconstruction


Director and Managing Officer
Tatsunosuke Nagao
General Manager for the Industrial Material Division


Director and Managing Officer
Hideo Nakamura
General Manager for the Car-Life Division


Director and Managing Officer
Masanobu Takagi
General Manager for the Global Trade Division


Director
Masanori Toyoshima
Chief Operating Officer for Energy Division in Energy, Metals & Minerals Company, ITOCHU Corporation


Standing Corporate Auditor
Shuichi Morozumi


Standing Corporate Auditor
Yoshikazu Ishii


Corporate Auditor
Masayasu Tanaka
CFO & CIO for Energy, Metals & Minerals Company, ITOCHU Corporation


Corporate Auditor
Shuichi Nanba
Lawyer representing the Momoo, Matsuo & Nanba Legal Office


Executive Officer
Akio Nakayama
Assistant General Manager for the Home-Life Division


Executive Officer
Koji Tsutsumi
Assistant General Manager, General Manager for the Planning & Administration Department in the Global Trade Division


Executive Officer
Hiroyuki Yumeno
General Manager for the Audit Department


Executive Officer
Fumio Shimizu
Assistant General Manager, General Manager for the Supply Administration Department in the Car-Life Division


Executive Officer
Hiroaki Soiri
General Manager for the Project & Investment Department in the Global Trade Division


Executive Officer
Tsukasa Nakamura
General Manager for the Planning & Administration Department and General Manager for the Energy Management 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
General Manager for the Corporate Planning Department in the Corporate Planning & Development Division


Executive Officer
Hiroshi Hayashida
General Manager for the Total-Life Development Department in the Total-Life Division and President for ASCLASS Inc.

Financial Section

Management's Discussion and Analysis

Analysis of Consolidated Business Results for the Fiscal Year

Net sales

In the domestic petroleum distribution industry, demand centered on gasoline was seen to recover due to the intense heat of summer, but the supply and demand environment remained challenging, owing to such factors as sluggish economic activities and heightened environmental awareness among consumers. There were also significant developments that impacted the industry, such as the restructuring of primary distribution of petroleum, rising international oil prices precipitated by heightened tensions in the Middle East, and the Great East Japan Earthquake. Based on these conditions, particularly the rise in oil prices, consolidated net sales for the fiscal year under review totaled ¥1,185,732 million, up 9.4% from the previous fiscal year.

Operating income

Consolidated operating income totaled ¥9,028 million, up 48.1% from the previous fiscal year. This increase was the result of streamlining measures.

Net income

Consolidated net income totaled ¥3,884 million, down 10.9% from the previous fiscal year. Contributing factors to this decline were a loss on adjustment for changes in accounting standard for asset retirement obligations of ¥1,037 million and losses from a natural disaster of ¥304 million.

Analysis of Consolidated Financial Conditions during the Fiscal Year

Assets, liabilities and equity

Total assets stood at ¥277,585 million as of the end of the fiscal year under review, an increase of ¥14,488 million compared with the end of the previous fiscal year. The major factor contributing to this increase was a ¥7,308 million increase in current assets due to an increase in trade notes and trade accounts (receivables) and an increase in merchandise and finished goods, and noncurrent assets of ¥7,180 million due to increases in consolidated companies.

Equity stood at ¥94,123 million, an increase of ¥2,065 million compared with the end of the previous fiscal year. This was attributable to factors such as net income of ¥3,884 million and ¥1,822 million in cash dividends paid. As a result of the above, the shareholders' equity ratio was 33.1%. Although short-term bank loans declined ¥1,071 million and current portion of long-term debt fell ¥8,114 million, liabilities rose ¥12,423 million, to ¥183,462 million, compared with the end of the previous fiscal year. This was attributable to increases in trade accounts (payables) of ¥3,331 million, an increase in long-term debt of ¥8,594 million and an increase in asset retirement obligations of ¥2,237 million.

Key financial indicators

	Ended March 31,			
Fiscal year	2008	2009	2010	2011
Shareholders' equity ratio	32.1%	35.9%	34.2%	33.1%
Shareholders' equity ratio based on market value	20.4%	24.4%	21.3%	19.5%
Ratio of cash flow to interest-bearing debt	2.6 years	1.4 years	5.6 years	2.4 years
Interest coverage ratio	14.4x	26.8x	5.9x	17.5x

Notes:

1. Shareholders' equity ratio: Shareholders' equity/total assets
   Shareholders' equity ratio based on market value: Market capitalization/total assets
   Ratio of cash flow to interest-bearing debt: Interest-bearing debt/cash flow
   Interest coverage ratio: Cash flow/interest payments
2. The figures above are consolidated figures.
3. Market capitalization is calculated by multiplying the closing price on the Tokyo Stock Exchange for the final day of the fiscal year (or final business day of the market if the final day is a holiday) by the number of shares obtained, by deducting treasury shares from the number of outstanding shares.
4. Cash flow is the total cash flow from operating activities in the Consolidated Statements of Cash Flows, and interest-bearing debt is all liabilities shown on the Consolidated Balance Sheets for which interest is paid.

Overview of cash flow

Cash and cash equivalents stood at ¥23,735 million as of the end of the fiscal year under review, a decrease of ¥3,863 million compared with the end of the previous fiscal year. This decrease was attributable to factors such as the repayment of loans payable.

Net cash provided by operating activities totaled ¥11,481 million. This was mainly due to revenue of ¥8,181 million from income before income taxes and minority interests, revenue of ¥7,901 million from depreciation and amortization, and a loss on adjustment for changes in accounting standard for asset retirement obligations of ¥1,037 million being partially offset by ¥3,605 million in expenditure required for increases in trade notes and accounts receivable, inventories, and trade notes and accounts payable.

Net cash used in investing activities totaled ¥8,299 million. This was primarily due to ¥3,516 million in expenditure for the purchases of property, plant and equipment through investment in CS facilities, ¥1,712 million in expenditure for the purchases of intangible assets, and ¥3,078 million in expenditure for the purchase of investments in subsidiaries.

Net cash used in financing activities totaled ¥7,091 million. This was mainly due to the repayment of ¥5,143 million in interest-bearing debt and the payment of cash dividends totaling ¥1,947 million.

Dividend Policy

As a matter of basic policy on profit sharing, Itochu Enex is committed to continuously providing steady dividends to shareholders while maintaining sustained profit growth, with a consolidated payout ratio of 30% or more as a benchmark.

For the fiscal year under review, the Company paid a year-end dividend of ¥8 per share and a 50th anniversary commemorative dividend of ¥4. Furthermore, although we plan to maintain our basic policy of steady dividends for fiscal 2011, the year ending March 31, 2012, this remains undetermined at this time due to the lack of certainty with regard to performance forecast indicators. The forecast dividend will be promptly announced as soon as sufficient information is available. As for internal reserves, it is the Company's basic policy to channel these into funds for investment to reinforce the Company's business platform and to further grow its profits.

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 operated with 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 connected to local communities. The Group has also expanded its business to include photovoltaic power generation systems and ENEFARM residential fuel cells, in addition to offering consumers better lifestyle alternatives through our new Total-Life Division, launched in April 2011, which merges the car and the home by delivering eco-energy. Moreover, the Energy Trade Division was renamed the Global Trade Division and restructured as such to better facilitate the swift execution of the Group's global business. In this way, the Group intends to move to the "next stage" as an "integrated energy proposal enterprise," providing various forms of energy to consumers 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 through greater consideration for the environment, and by enhancing security measures and reinforcing CSR practices and compliance procedures.

Targeted consolidated management indicators

The Group is continuing to improve asset and capital efficiency through ROA, ROE and EPS indicators.

Medium- and long-term management strategy

In the Group's Core & Synergy 2010 medium-term business plan (fiscal 2008 through fiscal 2010), the Group has endeavored to improve performance by expanding global business vertically and horizontally through the combination of the Group's resources to strengthen core businesses and create synergies. In addition to furthering the direction of business expansion that became clear during this Core & Synergy 2010 period, the Group will continue to strengthen and expand its growth strategy by formulating Core & Synergy 2013: A New Stage through Reform – Phase II (fiscal 2011 through fiscal 2013), aimed at actively engaging in new business models and achieving further strides with the 50th anniversary of the Company's founding as a starting point.

Overview and Outlook of the Group's Core & Synergy 2013 Medium-Term Business Plan

1. Basic Policy

We will mobilize the wealth of networks and assets developed over our first 50 years of business to increase earnings while strengthening and upgrading our core businesses, developing demand-creative businesses from the consumer's standpoint, and realizing sustained growth in tandem with local communities as a provider of "best mix" energy solutions.

2. Title

Group Medium-term Business Plan

Core & Synergy 2013

~Phase II in Pursuit of a New Stage through Reform~

3. Period

Three years (fiscal 2011 through fiscal 2013)

Outlook for the Coming Fiscal Year

In recent times, there has been large-scale restructuring of primary energy distributors, and the environment has changed significantly through the decline in demand due to economic and environmental factors, and the uncertainty of oil prices. Swift and appropriate responses to such changes in the business environment are seen as a priority issue by the Group.

At present, the Group is steadily addressing a number of issues in each of the following segments with the aim of continuing the strategy of expansion and growth centered on efforts to address key issues, such as the "improvement of petroleum product distribution functions," "deployment of demand-generating business from a consumer's perspective," "transformation into a company that provides the best energy mix" and "active expansion of overseas business."

The Group also intends to maintain its disaster relief activities for the Great East Japan Earthquake in the medium to long term, until a recovery is certain.

Industrial Material Division

Efforts to strengthen the core business of selling petroleum products will include comprehensive sales based on an area strategy and the improvement of logistics functions required for increasing sales. We will also expand and further fortify the supply business using cylinders in the high-pressure gas sales business. Furthermore, efforts to expand new businesses include bolstering the AdBlue sales business and the LNG sales business through increased sales and the creation of bases in key areas, and the development of an electric power sales business through closer ties with JEN Holdings Co., Ltd. and IP Power Systems Corp.

Car-Life Division

We will work to strengthen sales in affiliated CSs by promoting "CS management from a customer perspective" and an "ACT program" to create CSs that can survive in the future. Furthermore, we will actively work to bring new CSs into the Group in an effort to expand the scale of our core business.

Our area strategy involves reinforcing our network of CSs that can serve as hubs within local communities in each area, developing and expanding disaster-proof CSs that function as infrastructure in the event of a major disaster, and the creation of a robust supply chain that balances functionality and efficiency.

Global Trade Division

In the petroleum product trade business, 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.

Regarding sales of marine fuels, we will strengthen relationships with Group companies in the Japanese market and develop new customers in an effort to reduce costs and secure profit. We will also strengthen relationships with overseas suppliers to not only maintain but expand trading rights, enabling us to respond to customer needs for a stable supply.

With regard to chartering tankers, we will strive to ensure profits by further strengthening partnerships with other companies following on from the previous year, improving service through greater efficiency in ship operations, and developing new customers.

Home-Life Division

In an effort to contribute to a low-carbon society, we will further engage in sales of photovoltaic power generation systems and ENEFARM residential fuel cells. Moreover, while implementing fundamental reforms in our LP gas sales business by promoting the implementation of IT, we will work to become more competitive against rivals and other forms of energy through cost reductions—with no exceptions. We will also aim to further earn the trust of our LP gas customers by providing greater transparency in pricing, improved safety, and safety guidance for our distributors.

Total-Life Division

The Total-Life Division was launched in April 2011 based on the vision of creating new lifestyle alternatives, combining the home and the car through proposals that utilize the best energy mix. In addition to strengthening the sales organizations and expanding sales of photovoltaic power generation systems, ENEFARM residential fuel cells and businesses related to electric vehicles, we will expand business that creates new demand through branding efforts made from the customer's perspective.

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) Risk related to industrial trends or competition

The Group had 2,144 affiliated CSs as of March 31, 2011, 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.

(2) 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.

(3) 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.

(4) 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.

(5) Investment risk

The Group conducts a variety of investment including the construction of new CSs. The Company makes decisions on the execution of new investment based upon investment criteria that have been established, and periodically follows up on existing investments in an effort to reduce investment risk by improving investment efficiency. However, investments may be lost in part or in whole due to changes in conditions such as unforeseen fluctuations in the external environment, and this may affect the Group's operating performance and business activities.

(6) Risk related to regulations and policies concerning energy

The content and progress of regulations and policies concerning energy may affect the trends in industrial users' and consumers' energy supply and demand, which may in turn affect the operating performance of the Group.

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

The Group 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.

(8) 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.

(9) 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.

(10) 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.

(11) 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.

(12) 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.

(13) 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.

(14) 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.

(15) Risk related to accidents and natural disasters

There is a possibility that the wide-scale power outages caused by power plant accidents, suspension of functions caused by accidents in shipping terminals for primary distributors of petroleum products, natural disasters such as earthquakes, or outbreaks of new strains of influenza may have an impact on the Group's operating performance. In order to respond to unforeseen accidents and disasters, the Company has implemented emergency measures to deal with power outages, has created manuals to address such emergencies, and has prompted Group companies to implement their own contingency plans. However, these measures cannot completely avert damage, and the Group's operating performance and business activities may be affected in the event of an accident or a natural disaster.

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheets
March 31, 2011 and 2010

	Millions of Yen 2011	Millions of Yen 2010	Thousands of U.S. Dollars (Note 1) 2011
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents *(Notes 8 and 16)*	¥23,735	¥27,598	$285,452
Receivables:			
Trade notes and trade accounts *(Notes 8 and 16)*	116,920	111,599	1,406,137
Unconsolidated subsidiaries and associated Companies (Note 16)	571	1,311	6,873
Short-term loans	424	1,498	5,100
Other *(Note 8)*	7,101	5,095	85,404
Allowance for doubtful accounts	(624)	(562)	(7,510)
Inventories	12,274	10,295	147,611
Deferred tax assets *(Note 12)*	2,287	1,782	27,506
Prepaid expenses and other current assets	5,250	2,014	63,132
Total current assets	167,938	160,630	2,019,705
PROPERTY, PLANT AND EQUIPMENT *(Note 5)*:			
Land *(Note 8)*	35,565	35,161	427,727
Buildings and structures *(Note 8)*	52,786	50,467	634,824
Machinery and equipment *(Note 8)*	42,702	35,663	513,550
Lease assets	3,968	3,558	47,715
Construction in progress *(Note 8)*	627	147	7,543
Total	135,648	124,996	1,631,359
Accumulated depreciation	(62,266)	(57,272)	(748,836)
Net property, plant and equipment	73,382	67,724	882,523
INVESTMENTS AND OTHER ASSETS:			
Investment securities *(Notes 4,8 and 16)*	7,696	8,286	92,553
Investment in and advances to unconsolidated subsidiaries and associated companies	7,061	5,975	84,917
Long-term loans *(Note 16)*	1,280	1,449	15,392
Goodwill *(Note 6)*	4,053	4,798	48,744
Guarantee deposits	6,362	5,476	76,507
Deferred tax assets *(Note 12)*	3,530	3,199	42,458
Other assets *(Note 8)*	7,216	6,825	86,788
Allowance for doubtful accounts	(933)	(1,265)	(11,217)
Total investments and other assets	36,265	34,743	436,142
TOTAL	¥277,585	¥263,097	$3,338,370

See notes to consolidated financial statements.

	Millions of Yen 2011	Millions of Yen 2010	Thousands of U.S. Dollars (Note 1) 2011
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans *(Notes 8 and 16)*	¥6,949	¥8,020	$83,569
Current portion of long-term debt *(Notes 8 and 16)*	2,465	10,579	29,648
Payables:			
Trade accounts *(Note 16)*	103,650	100,319	1,246,538
Unconsolidated subsidiaries and associated companies *(Note 16)*	3,821	3,528	45,956
Income taxes payable	3,127	2,803	37,609
Accrued expenses	3,510	2,860	42,212
Other current liabilities	15,606	12,069	187,683
Total current liabilities	139,128	140,178	1,673,215
LONG-TERM LIABILITIES:			
Long-term debt *(Notes 8 and 16)*	21,427	12,833	257,690
Liability for retirement benefits *(Note 9)*	5,992	5,533	72,060
Deferred tax liabilities *(Note 12)*	377	242	4,532
Deferred tax liabilities on land revaluation difference *(Note 12)*	3,080	3,094	37,041
Guarantee deposits received	10,147	8,377	122,029
Asset retirement obligations *(Note 10)*	2,237		26,901
Other long-term liabilities	1,074	782	12,932
Total long-term liabilities	44,334	30,861	533,185
COMMITMENTS AND CONTINGENT LIABILITIES *(Notes 15 and 19)*			
EQUITY *(Notes 11 and 21)*:			
Common stock, authorized, 387,250,000 shares; issued, 116,881,106 shares in 2011 and 2010	19,878	19,878	239,058
Capital surplus	18,737	18,737	225,334
Retained earnings	63,796	61,719	767,239
Treasury stock – at cost 3,037,695 shares in 2011 and 3,036,008 shares in 2010	(1,322)	(1,321)	(15,895)
Accumulated other comprehensive income (loss):			
Unrealized loss on available-for-sale securities	(1,104)	(725)	(13,268)
Deferred gain on derivatives under hedge accounting	3	12	39
Land revaluation difference *(Note 14)*	(8,236)	(8,221)	(99,053)
Total	(9,337)	(8,934)	(112,282)
Minority interests	2,371	1,979	28,516
Total equity	94,123	92,058	1,131,970
TOTAL	¥277,585	¥263,097	$3,338,370

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
NET SALES	¥1,185,732	¥1,083,761	$14,260,150
COST OF SALES	1,120,831	1,019,203	13,479,624
Gross profit	64,901	64,558	780,526
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES *(Note 13)*	55,873	58,462	671,955
Operating income	9,028	6,096	108,571
OTHER INCOME (EXPENSES):			
Interest and dividend income	319	400	3,836
Interest expense	(439)	(617)	(5,274)
Gain on sales of investment securities – net	163	53	1,966
Loss on devaluation of investment securities	(76)	(3)	(917)
Purchase discounts	248	263	2,984
Sales discounts	(227)	(234)	(2,727)
Equity in earnings of unconsolidated subsidiaries and associated companies	323	467	3,879
Foreign exchange gains (losses) - net	142	(37)	1,710
Gain on sales of property, plant and equipment	113	119	1,361
Loss on sales and disposal of property, plant and equipment	(516)	(609)	(6,212)
Loss on impairment of long-lived assets *(Note 5)*	(101)	(199)	(1,215)
Gain on transfer of business	74	50	884
Compensation income for expropriation		484	
50th anniversary ceremony cost	(246)		(2,958)
Loss on adjustment for changes in accounting standard for asset retirement obligations *(Note 10)*	(1,037)		(12,470)
Gain on change in equity		2,415	
Gain on sales of parent stock	282		3,392
Losses from a natural disaster	(304)		(3,659)
Other – net	435	687	5,242
Other income (expenses) – net	(847)	3,239	(10,178)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	8,181	9,335	98,393
INCOME TAXES *(Note 12)*:			
Current	4,273	3,619	51,383
Deferred	(482)	883	(5,790)
Total income taxes	3,791	4,502	45,593
NET INCOME BEFORE MINORITY INTERESTS	4,390	¥4,833	52,800
MINORITY INTERESTS IN NET INCOME	506	473	6,091
NET INCOME	¥3,884	¥4,360	$46,709
PER SHARE OF COMMON STOCK *(Note 2.q)*:			
Basic net income	¥34.12	¥37.46	$0.41
Cash dividends applicable to the year	20.00	16.00	0.24

See notes to consolidated financial statements.

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2011

	Millions of Yen	*Thousands of U.S. Dollars (Note 1)*
	2011	2011
NET INCOME BEFORE MINORITY INTERESTS	¥4,390	$52,800
OTHER COMPREHENSIVE LOSS *(Note 20)*:		
Unrealized loss on available-for-sale securities	(376)	(4,515)
Share of other comprehensive loss in associates	(12)	(150)
Total other comprehensive loss	(388)	(4,665)
COMPREHENSIVE INCOME *(Note 20)*	4,002	48,135
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO *(Note 20)*:		
Owners of the parent	¥3,496	$42,044
Minority interests	506	6,091

See notes to consolidated financial statements.

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity
Years Ended March 31, 2011 and 2010

	Thousands	Millions of Yen									
						Accumulated other comprehensive income (loss)					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-sale Securities	Deferred Gain (Loss) on Hedges	Land Revaluation Difference	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2009	116,849	¥ 19,878	¥ 18,737	¥ 59,463	¥ (20)	¥ (836)		¥ (8,456)	¥ (9,292)	¥ 2,120	¥ 90,886
Net income				4,360							4,360
Cash dividends, ¥16.0 per share				(1,869)							(1,869)
Purchase of treasury stock	(3,004)				(1,301)						(1,301)
Land revaluation difference				(235)				235	235		
Net change in the year						111	¥ 12		123	(141)	(18)
BALANCE, MARCH 31, 2010	113,845	19,878	18,737	61,719	(1,321)	(725)	12	(8,221)	(8,934)	1,979	92,058
Net income				3,884							3,884
Cash dividends, ¥20.0 per share				(1,822)							(1,822)
Purchase of treasury stock	(2)				(1)						(1)
Land revaluation difference				15				(15)	(15)		
Net change in the year						(379)	(9)		(388)	392	4
BALANCE, MARCH 31, 2011	113,843	¥ 19,878	¥18,737	¥ 63,796	¥ (1,322)	¥ (1,104)	¥ 3	¥(8,236)	¥ (9,337)	¥ 2,371	¥ 94,123

	Thousands of U.S. Dollars (Note 1)									
					Accumulated other comprehensive income (loss)					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-sale Securities	Deferred Gain (Loss) on Hedges	Land Revaluation Difference	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2010	$ 239,058	$ 225,334	$ 742,257	$ (15,886)	$ (8,712)	$ 148	$ (98,874)	$ (107,438)	$ 23,803	$ 1,107,128
Net income			46,709							46,709
Cash dividends, $0.24 per share			(21,906)							(21,906)
Purchase of treasury stock				(9)						(9)
Land revaluation difference			179				(179)	(179)		
Net change in the year					(4,556)	(109)		(4,665)	4,713	48
BALANCE, MARCH 31, 2011	$ 239,058	$ 225,334	$ 767,239	$ (15,895)	$ (13,268)	$ 39	$ (99,053)	$ (112,282)	$ 28,516	$ 1,131,970

See notes to consolidated financial statement

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2011 and 2010

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2011	2010	2011
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥8,181	¥9,335	$98,393
Adjustments for:			
Income taxes – paid	(3,964)	(3,731)	(47,673)
Depreciation and amortization	7,901	8,719	95,020
Gain on sales of property, plant and equipment	(113)	(119)	(1,361)
Loss on sales and disposal of property, plant and equipment	516	609	6,212
Gain on transfer of business	(74)	(50)	(884)
Gain on sales of parent stock	(282)		(3,392)
Gain on sales of investment securities – net	(163)	(53)	(1,966)
Compensation income for expropriation		(484)	
Loss on devaluation of investment securities	76	3	917
Loss on impairment of long-lived assets	101	199	1,215
(Decrease) increase in allowance for doubtful accounts	(201)	139	(2,416)
Provision for retirement benefits	420	314	5,050
Equity in earnings of unconsolidated subsidiaries and associated companies	(323)	(467)	(3,879)
Loss on adjustment for changes in accounting standard for asset retirement obligations	1,037		12,470
Losses from a natural disaster	304		3,659
Gain on change in equity		(2,415)	
Changes in assets and liabilities, net of newly consolidated subsidiaries:			
Increase in trade notes and accounts receivable	(4,744)	(32,552)	(57,054)
Increase in inventories	(1,842)	(2,099)	(22,152)
(Increase) decrease in prepaid expenses and other current assets	(3,910)	1,655	(47,025)
Increase in trade notes and accounts payable	2,980	28,699	35,839
Increase (decrease) in other current liabilities	5,371	(2,861)	64,590
Other - net	210	121	2,514
Total adjustments	3,300	(4,373)	39,684
	¥11,481	¥4,962	$138,077

FORWARD

(Continued)

ITOCHU ENEX CO., LTD. And Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
FORWARD	¥11,481	¥4,962	$138,077
Net cash provided by operating activities	11,481	4,962	138,077
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	404	290	4,864
Purchases of property, plant and equipment	(3,516)	(4,363)	(42,288)
Proceeds from sales of investment securities	1,199	1,441	14,424
Purchases of investment securities	(2,229)	(3,167)	(26,809)
Proceeds from sales of intangible assets	293	89	3,527
Purchases of intangible assets	(1,712)	(1,497)	(20,593)
Proceeds from transfer of business	74	3,077	884
Proceeds from liquidation of subsidiaries and affiliates	12		144
Purchase of investments in subsidiaries	(3,078)	(484)	(37,012)
Collection of loans	1,250	645	15,036
Other – net	(996)	356	(11,982)
Net cash used in investing activities	(8,299)	(3,613)	(99,805)
FINANCING ACTIVITIES:			
Decrease in short-term bank loans – net	(1,925)	(3,918)	(23,158)
Proceeds from long-term debt	9,950		119,664
Repayments of long-term debt	(13,168)	(9,818)	(158,364)
Purchase of treasury stock	(1)	(1,305)	(9)
Dividends paid	(1,947)	(1,947)	(23,414)
Net cash used in financing activities	(7,091)	(16,988)	(85,281)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(17)	18	(211)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,926)	(15,621)	(47,220)
FORWARD			

(Continued)

Consolidated Statements of Cash Flows
Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
FORWARD	¥(3,926)	¥(15,621)	$(47,220)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	27,598	43,219	331,907
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARIES	63		765
CASH AND CASH EQUIVALENTS, END OF YEAR	¥23,735	¥27,598	$285,452
DETAILS FOR PURCHASE OF INVESTMENTS IN SUBSIDIARIES:			
Increase in assets and liabilities due to a newly consolidated subsidiary, JEN Holdings Co., Ltd., and net payments for the stock acquisition:			
Current assets	¥1,808		$21,748
Non-current assets	7,581		91,169
Current liabilities	(2,507)		(30,153)
Long-term liabilities	(3,270)		(39,324)
Minority interests	(11)		(130)
Acquisition cost	3,601		43,310
Cash and cash equivalents from the acquisition	(523)		(6,298)
Net payments	3,078		37,012
DETAILS FOR PROCEEDS FROM TRANSFER OF BUSINESS:			
Decrease in assets and liabilities, transfer price and net proceeds due to transfer of business described in Note 3:			
Assets		¥96	
Gain on transfer of business		2,981	
Transfer price		3,077	
Cash and cash equivalents from the transfer			
Net proceeds		3,077	

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements
Years Ended March 31, 2011 and 2010

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 ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 20. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

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 2010 consolidated financial statements to conform to the classifications used in 2011.

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 ¥83.15 to $1, the approximate rate of exchange at March 31, 2011. 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. Consolidation
The consolidated financial statements as of March 31, 2011 include the accounts of the Company and its 25 (18 in 2010) significant subsidiaries (collectively, the "Group"). Significant consolidated subsidiaries include 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, 2011, JEN Holdings Co., Ltd. and its 6 group companies were included in the scope of consolidation due to stock acquisition by the Company. Chusekihan Co., Ltd., whose company name was changed to Enex Petroleum Sales Higashi-Nihon Co., Ltd. as of October 1, 2010, was included in the scope of consolidation due to increase in its materiality.

Former Enex Petroleum Sales Higashi-Nihon Co., Ltd. was excluded from the scope of consolidation due to its liquidation.

Oita Kyuseki Petroleum Sales Co., Ltd. changed the company name to Kyushu Energy Co., Ltd. during the year ended March 31, 2011.

The Company does not consolidate 18 (19 in 2010) subsidiaries due to their immateriality in terms of consolidated total assets, net sales, net income and retained earnings.

Investments in 18 (19 in 2010) unconsolidated subsidiaries and 18 (19 in 2010) 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. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method
In March 2008, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

This standard was applicable to equity method of accounting for fiscal years beginning on or after April 1, 2010.

The Company applied this accounting standard effective April 1, 2010.

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

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No.21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired in the business combination is capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. This standard was applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

The Company applied this standard effective from the year ended March 31, 2011.

d. 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.

e. 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.

f. Investment Securities
Investment securities are classified and accounted for, depending on management's intent, as available-for-sale securities, which 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.

g. Property, Plant and Equipment, Intangible assets
Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed principally

by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to the buildings. Straight-line method is also applied to the electric power facilities from the year ended March 31, 2011.

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 terms 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.

h. 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 at 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.

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

j. Allowance for Doubtful Accounts
The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

k. Employees' Retirement Benefits
The Group has an obligation to pay retirement benefits to its employees. The Group accounts for the liability for retirement benefits based on the projected benefit 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.

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.

l. Asset Retirement Obligations
In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

This standard was effective for fiscal years beginning on or after April 1, 2010.

The company applied this accounting standard effective April 1, 2010. The effect of this change was to decrease operating income by ¥101 million ($1,213 thousand) and income before income taxes and minority interests by ¥1,138 million ($13,683 thousand).

m. 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.

n. 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.

o. 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.

p. 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 is recognized and included in interest expense or income.

q. 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, 2011 and 2010.

r. New Accounting Pronouncements

Accounting Changes and Error Corrections — In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies

When a new accounting policy is applied with a revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior Period Errors

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

3. BUSINESS COMBINATIONS

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

<u>Business transfer of Liquid Petroleum Gas Operation</u>

In April1, 2009, the Company and its subsidiaries transferred the operation of Liquid Petroleum Gas (LPG) to Japan Gas Energy Corporation.

This transfer was 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 wholesales of LPG.

The purpose of the merger is to create an LPG business group that will be capable of efficiently 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 truck
(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.
2) Amounts of assets and liabilities transferred to Japan Gas Energy Corporation
Assets: ¥96 million, 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 operation for the transferred business was not included in the consolidated statement of income for the year ended March 31, 2010.

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

4. INVESTMENT SECURITIES

Investment securities as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2011	2010	2011
Non-current:			
Marketable equity securities	¥ 7,696	¥ 7,799	$ 92,553
Debt securities		487	
Total	¥ 7,696	¥ 8,286	$ 92,553

The cost and aggregate fair values of investment securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen			
March 31, 2011	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 9,072	¥ 329	¥ 2,190	¥ 7,211
Debt securities				
March 31, 2010				
Available-for-sale:				
Equity securities	¥ 8,542	¥ 495	¥ 1,720	¥ 7,317
Debt securities	490		3	487

	Thousands of U.S. Dollars			
March 31, 2011	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$ 109,106	$ 3,954	$ 26,337	$ 86,723
Debt securities				

The information for available-for-sale securities which were sold during the year ended March 31, 2011 and 2010 was as follows:

	Millions of Yen		
March 31, 2011	Proceeds	Realized Gains	Realized Loss
Available-for-sale:			
Equity securities	¥ 871	¥ 166	¥ 3
Total	¥ 871	¥ 166	¥ 3

	Millions of Yen		
March 31, 2010	Proceeds	Realized Gains	Realized Loss
Available-for-sale:			
Equity securities	¥ 1,441	¥ 53	¥ 1
Total	¥ 1,441	¥ 53	¥ 1

	Thousands of U.S. Dollars		
March 31, 2011	Proceeds	Realized Gains	Realized Loss
Available-for-sale:			
Equity securities	$ 10,478	$ 2,000	$ 34
Total	$ 10,478	$ 2,000	$ 34

The impairment losses on available-for-sale equity securities for the years ended March 31, 2011 and 2010 were ¥76 million ($917 thousand) and ¥3 million, respectively.

5. LONG-LIVED ASSETS

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

For the years ended March 31, 2011 and 2010, the book values of long-lived assets were written down to their respective recoverable amounts by ¥101 million ($1,215 thousand) and ¥199 million, respectively. The amount for the year ended March 31, 2011 consisted of ¥47 million ($562 thousand) for buildings and structures, and ¥54 million ($653 thousand) for land. The amount for the year ended March 31, 2010 consisted of ¥106 million for buildings and structures, ¥91 million for land, and ¥2 million for other assets.

These decreases in value are included in other expenses as loss on impairment of long-lived assets.

The recoverable amounts of assets in use were measured at the net sales price.

The recoverable amounts of idle assets were measured at 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, 2011 and 2010 consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2011	2010	2011
Goodwill			
Goodwill on purchase of a specific business, etc.	¥2,040	¥2,879	$24,540
Consolidation goodwill	2,013	1,919	24,204
Total	¥4,053	¥4,798	$48,744

Goodwill at March 31, 2011 represents goodwill of ¥4,094 million ($49,236 thousand) net of negative goodwill of ¥41 million ($492 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 were 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 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 ¥530 million ($6,369 thousand) and ¥372 million for the years ended March 31, 2011 and 2010, respectively. Impairment loss recorded in other expenses was ¥101 million ($1,215 thousand) and ¥199 million for the years ended March 31, 2011 and 2010, respectively, as discussed in Note 5.

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, 2010	Increase/(Decrease)	March 31, 2011	March 31, 2011
¥ 23,657	¥ 1,263	¥ 24,920	¥ 21,373

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, 2010	Increase/(Decrease)	March 31, 2011	March 31, 2011
$ 284,515	$ 15,182	$ 299,697	$ 257,038

Notes:

1) Carrying amount recognized in balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.

2) Increase or decrease during the fiscal years ended March 31, 2011 and 2010 is due mainly to increase or decrease in petroleum sales related facilities.

3) Fair value of properties as of March 31, 2011 and 2010 is measured by the Company in accordance with its Real-estate Appraisal Standards (including properties adjusted by index).

8. SHORT-TERM BANKLOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2011 and 2010 consisted of bank overdrafts.
The weighted-average interest rates applicable to short-term bank loans as of March 31, 2011 and 2010 were 0.855% and 0.792%, respectively.

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Long-term borrowings from banks and insurance companies due through 2014 at average interest rates of 1.890% in 2011 and 1.567% in 2010	¥10,529	¥18,794	$126,629
Lease obligation	3,363	3,470	40,445
Unsecured 0.670% corporate bonds due through June 2010		100	
Unsecured 1.470% corporate bonds due through March 2012		168	
Unsecured 1.330% corporate bonds due through March 2013		180	
Unsecured 1.125% corporate bonds due through June 2013		700	
Unsecured 0.580% corporate bonds due through July 2013	5,000		60,132
Unsecured 0.790% corporate bonds due through July 2015	5,000		60,132
Total	23,892	23,412	287,338
Less current portion:			
Long-term borrowings	(1,448)	(9,263)	(17,415)
Long-term corporate bonds		(444)	
Lease obligation	(1,017)	(872)	(12,233)
Long-term debt, less current portion	¥21,427	¥12,833	$257,690

The annual maturities of long-term debt at March 31, 2011, were as follows:

	Long-term borrowings		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
2012	¥ 1,448	$ 17,415			¥ 1,017	$ 12,233
2013	7,694	92,531	¥ 5,000	$ 60,132	969	11,654
2014	457	5,499			726	8,736
2015	400	4,811	5,000	60,132	391	4,703
2016	400	4,811			154	1,846
2017 and thereafter	130	1,562			106	1,273
Total	¥ 10,529	$ 126,629	¥ 10,000	$ 120,264	¥ 3,363	$ 40,445

The carrying amounts of assets pledged as collateral for trade accounts payable of ¥127 million ($1,531 thousand), short-term bank loans of ¥1,905 million ($22,910 thousand) and long-term borrowings of ¥1,740 million ($20,926 thousand) at March 31, 2011 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents	¥ 213	$ 2,562
Trade notes and trade accounts	213	2,562
Land	239	2,871
Buildings and structures	696	8,378
Machinery and equipment	4,628	55,658
Investment securities	7	83
Other	410	4,932
Total	¥ 6,406	$ 77,046

Among above, cash and cash equivalents, trade notes and trade accounts, buildings and structures, machinery and equipment and other are pledged as collateral for the short-term borrowings of ¥1,735 million ($20,866 thousand) and long-term debt of ¥1,730 million ($20,806 thousand) for JEN Holdings Co., Ltd.

In addition, investment securities of ¥1,528 million ($18,376 thousand) were deposited as guarantees for commodity futures trading at March 31, 2011.

The Company entered into commitment line contracts with banks. Outstanding bank commitment lines contracted, but not provided for, as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2011	2010	2011
Credit facilities	¥6,030	¥8,000	$72,520
Used	940		11,305
Unused	¥5,090	¥8,000	$61,215

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, 2011 and 2010 for the Group defined benefit plans:

	Millions of Yen		*Thousands of U.S. Dollars*
	2011	2010	2011
Retirement benefit obligation	¥(7,210)	¥(7,228)	$(86,705)
Plan assets at fair value	683	1,086	8,213
Unrecognized actuarial loss	267	90	3,207
Unrecognized prior service cost	268	519	3,225
Net liability	¥(5,992)	¥(5,533)	$(72,060)

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*
	2011	2010	2011
Service cost	¥525	¥510	$6,317
Interest cost	68	72	816
Recognition of actuarial loss (gain)	(33)	174	(397)
Amortization of prior service cost	251	251	3,019
Net periodic benefit costs	¥811	¥1,007	$9,755

In addition, the Group recorded expenses related to defined contribution pension plans of ¥414 million ($4,983 thousand) for the year ended March 31, 2011 and ¥416 million for the year ended March 31, 2010 in retirement benefit obligation. The Group paid additional retirement benefits of ¥117 million ($1,406 thousand) for the year ended March 31, 2011 and ¥59 million for the year ended March 31, 2010. These were 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, 2011 and 2010 are set forth as follows:

	2011	2010
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. ASSET RETIREMENT OBLIGATION

The Group recorded asset retirement obligations related to future restoration of petroleum-related facilities such as gas station and LPG station, and electric power production facilities associated with lease agreement.

(a) Assumptions mainly used in calculation of asset retirement obligations

At March 31, 2011	
Expected useful life	34 years
Discount rate	2.4%

(b) Changes in gross asset retirement obligations

	2011	
	Millions of Yen	*Thousands of U.S. Dollars*
Balance at beginning of year	¥ 2,081	$ 25,024
Additional provisions associated with the acquisition of property, plant and equipment	19	223
Reconciliation associated with passage of time	49	586
Reduction associated with settlement of asset retirement obligations	(5)	(56)
Other changes	111	1,344
Balance at end of year	¥ 2,255	$ 27,121

Note: Balance at April 1, 2010 resulted from the application of "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, issued on March 31, 2008) effective April 1, 2010.

11. 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 the 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.

12. 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 rate of approximately 40.7% for the years ended March 31, 2011 and 2010.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010 are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2011	2010	2011
Deferred tax assets:			
Enterprise tax payable	¥ 265	¥ 239	$ 3,183
Accrued expenses	200	141	2,399
Allowance for doubtful accounts	347	740	4,173
Accrued bonuses to employees	1,067	887	12,834
Tax loss carryforwards	335	191	4,027
Liability for retirement benefits	2,439	2,218	29,329
Accrued retirement benefits for directors and corporate auditors	125	164	1,502
Loss on devaluation of investment securities	96	310	1,158
Impairment loss of fixed assets	245	175	2,952
Excess depreciation	247		2,971
Asset retirement obligations	913		10,975
Unrealized loss on available-for-sale securities	757	499	9,104
Asset adjustment related to business combination	308	456	3,706
Elimination of internal profit in consolidation	393	437	4,727
Other	677	490	8,149
Less valuation allowance	(1,019)	(848)	(12,249)
Total	¥ 7,395	¥ 6,099	$ 88,940
Deferred tax liabilities:			
Asset retirement obligations	¥ (457)		$ (5,492)
Reserve for special depreciation	(1,123)	¥ (1,124)	(13,511)
Other	(375)	(236)	(4,505)
Total	¥ (1,955)	¥ (1,360)	$ (23,508)
Net deferred tax assets	¥ 5,440	¥ 4,739	$ 65,432

	Millions of Yen		*Thousands of U.S. Dollars*
	2011	2010	2011
Deferred tax assets on land revaluation	¥5,179	¥5,181	$62,280
Less valuation allowance	(5,179)	(5,181)	(62,280)
Deferred tax liabilities on land revaluation	(3,080)	(3,094)	(37,041)
Deferred tax liabilities on land revaluation – net	¥(3,080)	¥(3,094)	$(37,041)

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2011 and 2010 is as follows:

	Year ended March 31	Year ended March 31
	2011	2010
Normal effective statutory tax rate	40.7%	40.7%
Expenses not deductible for income tax purposes	5.6	4.0
Per capita inhabitants tax	1.6	1.5
Other – net	(1.6)	2.0
Actual effective tax rate	46.3%	48.2%

At March 31, 2011, certain subsidiaries have tax loss carryforwards aggregating approximately ¥827 million ($9,949 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*
2012		
2013		
2014	¥9	$ 103
2015	168	2,024
2016	55	660
2017 and thereafter	595	7,162
Total	¥827	$9,949

13. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The main components of selling, general and administrative expenses for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2011	2010	2011
Payroll	¥ 17,884	¥ 18,453	$ 215,087
Provision for accrued bonuses to employees	2,560	2,129	30,787
Provision for accrued bonuses to directors and corporate auditors	224	236	2,696
Rent	10,012	10,772	120,413
Depreciation and amortization	2,088	2,422	25,111
Amortization of goodwill	1,809	2,285	21,752
Provision for allowance for doubtful accounts	311	308	3,735
Provision for accrued pension and severance costs	1,213	1,426	14,591

14. 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, 2011, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥6,769 million ($81,403 thousand), of which ¥3,071 million ($36,937 thousand) is relating to the land classified as investment property.

15. 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, 2011 and 2010 were ¥879 million ($10,571 thousand) and ¥1,240 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, the 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 continue 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, 2011				As of March 31, 2010			
	Buildings and Structures	Machinery and Equipment	Intangible Assets	Total	Buildings and Structures	Machinery and Equipment	Intangible Assets	Total
Acquisition cost	¥31	¥4,223	¥299	¥4,553	¥31	¥5,697	¥493	¥6,221
Accumulated depreciation	30	3,933	248	4,211	29	4,975	355	5,359
Net leased property	¥1	¥290	¥51	¥342	¥2	¥722	¥138	¥862

	Thousands of U.S. Dollars			
	As of March 31, 2011			
	Buildings and Structures	Machinery and Equipment	Intangible Assets	Total
Acquisition cost	$372	$50,794	$3,596	$54,762
Accumulated depreciation	363	47,295	2,987	50,645
Net leased property	$9	$3,499	$609	$4,117

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥ 495	¥ 927	$ 5,945
Due after one year	221	796	2,662
Total	¥ 716	¥ 1,723	$ 8,607

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Depreciation expense	¥ 467	¥ 844	$ 5,617
Interest expense	20	39	242
Total	¥ 487	¥ 883	$ 5,859
Lease payments	¥ 879	¥ 1,240	$ 10,571

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 2011 and 2010 were ¥165 million ($1,979 thousand) and ¥263 million, respectively.

As discussed in Note 2.m, 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, 2011 and 2010 was as follows:

	Millions of Yen			Millions of Yen		
	As of March 31, 2011			As of March 31, 2010		
	Buildings and Structures	Machinery and Equipment	Total	Buildings and Structures	Machinery and Equipment	Total
Acquisition cost	¥5	¥949	¥954	¥5	¥1,382	¥1,387
Accumulated depreciation	5	908	913	5	1,241	1,246
Net leased property		¥41	¥41	¥0	¥141	¥141

	Thousands of U.S. Dollars		
	As of March 31, 2011		
	Buildings and Structures	Machinery and Equipment	Total
Acquisition cost	$62	$11,419	$11,481
Accumulated depreciation	62	10,923	10,985
Net leased property		$496	$496

Receivables under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥74	¥180	$892
Due after one year	23	130	280
Total	¥97	¥310	$1,172

Depreciation expense and interest income under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Depreciation expenses	¥67	¥149	$806
Interest income	2	5	20

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, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥1,626	¥1,599	$19,553
Due after one year	2,690	3,998	32,355
Total	¥4,316	¥5,597	$51,908

(Operating lease – Lessor)

The minimum rental commitments under noncancellable operating leases at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥495	¥ 670	$5,947
Due after one year	1,231	1,930	14,802
Total	¥1,726	¥ 2,600	$20,749

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

In March 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 the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after 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 uses secure deposits and bank loans to fund its operations. The Group uses derivative financial instruments to reduce risks from fluctuation in 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 which the Company has a business relationship 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 (mostly due within 5 years), including bonds payable, are mainly used to finance 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 in 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 the 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, which 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 prescribe 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 the market price or the rationally calculated values with certain assumptions in case no market prices exist. The rationally calculated values may fluctuate in case different assumptions are applied. The contract amounts regarding derivative transactions described in Note 17 do not indicate market risk related to derivative transactions.

(a) Fair value of financial instruments

	Millions of yen		
	As of March 31, 2011		
	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥ 23,735	¥ 23,735	
Trade notes and trade accounts receivable	116,920	116,920	
Receivable from unconsolidated subsidiaries and associated companies	571	571	
Investment securities	7,211	7,211	
Long-term loans	1,859	1,868	¥ 9
Total	¥ 150,296	¥ 150,305	¥ 9
Short-term bank loans	¥ 6,949	¥ 6,949	
Trade accounts payable	103,650	103,650	
Payable to unconsolidated subsidiaries and associated companies	3,821	3,821	
Long-term borrowings and corporate bonds	20,529	20,601	¥ 72
Total	¥ 134,949	¥ 135,021	¥ 72

	Millions of yen		
	As of 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	
Receivable from unconsolidated subsidiaries and associated companies	1,311	1,311	
Investment securities	7,804	7,804	
Long-term loans	3,231	3,239	¥ 8
Total	¥ 151,543	¥ 151,551	¥ 8
Short-term bank loans	¥ 8,020	¥ 8,020	
Trade accounts payable	100,319	100,319	
Payable to unconsolidated subsidiaries and associated companies	3,528	3,528	
Long-term borrowings and corporate bonds	19,942	20,065	¥ 123
Total	¥ 131,809	¥ 131,932	¥ 123

	Thousands of U.S. Dollars		
	As of March 31, 2011		
	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	$ 285,452	$ 285,452	
Trade notes and trade accounts receivable	1,406,137	1,406,137	
Receivable from unconsolidated subsidiaries and associated companies	6,873	6,873	
Investment securities	86,723	86,723	
Long-term loans	22,355	22,465	$ 110
Total	$ 1,807,540	$ 1,807,650	$ 110
Short-term bank loans	$ 83,569	$ 83,569	
Trade accounts payable	1,246,538	1,246,538	
Payable to unconsolidated subsidiaries and associated companies	45,956	45,956	
Long-term borrowings and corporate bonds	246,894	247,762	$ 868
Total	$ 1,622,957	$ 1,623,825	$ 868

Cash and cash equivalents

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 receivable 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

The fair value of stocks is based of the price on stock exchanges and that of bonds is based on the price of 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 related cash flows with the rate which would be applied if a new loan were offered in the same situation. The amounts in the above tables include current portion of long-term loans of ¥282 million ($3,391 thousand) and 1,444 million as of March 31, 2011 and 2010, respectively.

Trade accounts payable and payable 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 bank loans

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 borrowings is calculated by discounting the sum of principal and interest by the rate which would be used if a new loan were borrowed in the same situation. The fair value of long-term variable interest rate debt of ¥4,000 million ($48,106 thousand) and ¥7,000 million as of March 31, 2011 and 2010, respectively, is calculated by discounting the sum of principal amounts corresponding interest rate swap contracts at a reasonably-estimated rate. The amounts in the above tables include current portion of long-term debt of ¥1,448 million ($17,415 thousand) and ¥9,263 million as of March 31, 2011 and 2010, respectively.

For the year ended March 31, 2011, the fair value of corporate bond payable is based on the market price.

For the year ended March 31, 2010, the fair value of corporate bond payable is calculated by discounting the sum of principal and interest at the rate which would be used if new bonds were issued in the same situation. The amounts in the above tables at March 31, 2010 includes bond of ¥444 million that mature within a year.

Derivatives

The information of the fair value for derivatives is included in Note 17.

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

	Carrying amount		
	Millions of Yen		*Thousands of U.S. Dollars*
	2011	2010	2011
Investments in equity instruments that do not have a quoted market price in an active market	¥ 485	¥ 482	$ 5,830
Investments in equity instruments of subsidiaries that do not have a quoted market price in an active market	2,560	2,487	30,790
Investments in equity instruments of associated companies that do not have a quoted market price in an active market	4,205	3,150	50,568
Total	¥ 7,250	¥ 6,119	$ 87,188

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

	Millions of yen			
March 31, 2011	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	¥ 23,735			
Trade notes and trade accounts receivable	116,920			
Receivable from unconsolidated subsidiaries and associated companies	530			
Long-term loans	282	¥ 901	¥ 537	¥ 139
Total	¥ 141,467	¥ 901	¥ 537	¥139

	Thousands of U.S. Dollars			
March 31, 2011	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	$ 285,452			
Trade notes and trade accounts receivable	1,406,137			
Receivable from unconsolidated subsidiaries and associated companies	6,368			
Long-term loans	3,391	$ 10,829	$ 6,461	$ 1,674
Total	$ 1,701,348	$ 10,829	$ 6,461	$ 1,674

Please see Note 8 for annual maturities of long-term debt and Note 15 for obligations under finance leases.

17. 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 in 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 high-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 prescribe the authority and the limit in dealing. The dealing status is reported to and reviewed by the administration department.

Derivative transactions to which hedge accounting is not applied at March 31, 2011 and 2010

	Millions of Yen			
At March 31, 2011	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain / Loss
Foreign currency forward contracts:				
Buying U.S.$	¥ 4,866		¥ 44	¥ 44
Selling U.S.$	¥ 114		¥ (2)	¥ (2)
Selling Singapore $	¥ 74		¥ 0	¥ 0
Commodity futures:				
Buying	¥ 14,189		¥ 1,121	¥ 1,121
Selling	¥ 15,015		¥ (1,375)	¥ (1,375)

	Millions of Yen			
At March 31, 2010	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)

	Thousands of U.S. Dollars			
At March 31, 2011	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain / Loss
Foreign currency forward contracts:				
Buying U.S.$	$ 58,516		$ 527	$ 527
Selling U.S.$	$1,377		$ (23)	$ (23)
Selling Singapore $	$ 892		$ 6	$ 6
Commodity futures:				
Buying	$ 170,645		$ 13,477	$ 13,477
Selling	$ 180,571		$ (16,531)	$ (16,531)

Derivative transactions to which hedge accounting is applied at March 31, 2011 and 2010

At March 31, 2011	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
	Millions of Yen			
Interest rate swaps:				
(fixed rate payment, floating rate receipt)	Long-term debt	¥ 4,000	¥ 4,000	Note

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

At March 31, 2011	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
	Thousands of U.S. Dollars			
Interest rate swaps:				
(fixed rate payment, floating rate receipt)	Long-term debt	$ 48,106	$ 48,106	Note

Note: Fair value of interest rate swaps that meet the requirements for special accounting was included in the fair value of 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 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.

18. RELATED PARTY TRANSACTIONS

Transactions with related parties for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2011	2010	2011
ITOCHU Corporation, shareholder:			
Sales	¥ 2,407	¥ 2,550	$ 28,943
Purchases	4,623	1,799	55,603
Trade notes and trade accounts receivable	323	132	3,883
Trade notes and trade accounts payable	1,783	28	21,443
Japan Gas Energy Corporation, associated company:			
Purchases	¥27,039	¥23,238	$325,180
Trade notes and trade accounts payable	2,943	2,912	35,396

19. CONTINGENT LIABILITIES

At March 31, 2011, the Group had the following contingent liabilities:

	Millions of Yen	*Thousands of U.S. Dollars*
Guarantors of gas oil delivery tax of Oda Shoten	¥ 22	$265
Guarantors of lease debt of Iinuma Sekiyu and other 19 companies	33	395
Securitization of trade notes receivable	96	1,152
Securitization of trade accounts receivable	369	4,440

20. COMPREHENSIVE INCOME

Other comprehensive income for the year ended March 31, 2010 consists of the following:

	2010
Other comprehensive income:	
Unrealized gain on available-for-sale securities	¥ 108
Share of other comprehensive income in associates	16
Total other comprehensive income	¥ 124

Total comprehensive income for the year ended March 31, 2010 comprises the following:

	2010
Total comprehensive income attributable to:	
Owners of the parent	¥ 4,484
Minority interest	473
Total comprehensive income	¥ 4,957

21. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2011 was approved at the Company's shareholders meeting held on June 23, 2011:

	Millions of Yen	*Thousands of U.S. Dollars*
Year-end cash dividends, ¥12 ($0.14) per share	¥ 1,366	$ 16,430

22. SEGMENT INFORMATION

For the years ended March 31, 2011 and 2010

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 the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010. The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

(1) Description of reportable segments
The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Group has its business divisions identified by customers and markets. Each business division develops its strategy for customers and markets, and operates its business.
Therefore, each business division is considered as a reportable segment. The Group consists of, four segments: "Industrial Material," "Car Life," "Trade" and "Home Life."

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, gas oil, heavy fuel oil, grease, automobile supplies, car inspection, maintenance, car rental and alternative energy equipment (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 (LPG), equipment (combustion, kitchen, air conditioning, household equipments), commodities, catalogue merchandise, sundries and alternative energy equipment (fuel cell and photovoltaic power generation, etc.) for households.

(2) Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, “Summary of Significant Accounting Policies.” Income by the reportable segment is based on operating income. Intersegment transactions are based on prevailing market price.

(3) Information about sales, profit (loss), assets, liabilities and other items is as follows.

	Millions of Yen								
	2011								
	Reportable segment								
	Industrial Material	Car Life	Trade	Home Life	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥ 118,095	¥ 548,690	¥ 422,325	¥ 94,943	¥1,184,053	¥ 1,679	¥1,185,732		¥ 1,185,732
Intersegment sales or transfers	569	2,699	25,412		28,680	2,144	30,824	¥ (30,824)	
Total	118,664	551,389	447,737	94,943	1,212,733	3,823	1,216,556	(30,824)	1,185,732
Segment profit	1,785	4,766	687	3,690	10,928	85	11,013	(1,985)	9,028
Segment assets	36,655	114,417	48,741	51,337	251,150	951	252,101	25,484	277,585
Other:									
Depreciation	296	3,532	308	1,424	5,560	4	5,564	528	6,092
Amortization of goodwill	53	823	162	861	1,899		1,899	(90)	1,809
Equity in earnings of unconsolidated subsidiaries and associated companies	70	33	80	134	317		317	6	323
Investments in unconsolidated subsidiaries and associated companies	1,606	452	19	4,481	6,558		6,558	14	6,572
Increase in property, plant and equipment and intangible assets	¥ 669	¥ 2,154	¥ 260	¥ 1,274	¥ 4,357	¥ 1	¥ 4,358	¥ 871	¥ 5,229

	Millions of Yen 2010								
	Reportable segment								
	Industrial Material	Car Life	Trade	Home Life	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥ 95,749	¥ 505,484	¥ 394,133	¥ 86,396	¥1,081,762	¥ 1,999	¥1,083,761		¥ 1,083,761
Intersegment sales or transfers	816	6,272	32,379		39,467	2,282	41,749	¥ (41,749)	
Total	96,565	511,756	426,512	86,396	1,121,229	4,281	1,125,510	(41,749)	1,083,761
Segment profit (loss)	1,579	3,411	(350)	3,395	8,035	51	8,086	(1,990)	6,096
Segment assets	20,512	107,431	52,214	51,933	232,090	862	232,952	30,145	263,097
Other:									
Depreciation	323	3,632	311	1,472	5,738	5	5,743	691	6,434
Amortization of goodwill	60	819	194	1,302	2,375		2,375	(90)	2,285
Equity in earnings of unconsolidated subsidiaries and associated companies	57	58	95	251	461		461	6	467
Investments in unconsolidated subsidiaries and associated companies	499	499	1	4,448	5,447		5,447	9	5,456
Increase in property, plant and equipment and intangible assets	¥ 501	¥ 3,053	¥ 342	¥ 1,367	¥ 5,263	¥ 1	¥ 5,264	¥ 596	¥ 5,860

	Thousands of U.S. Dollars 2011								
	Reportable segment								
	Industrial Material	Car Life	Trade	Home Life	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	$1,420,258	$6,598,806	$5,079,075	$1,141,828	$14,239,967	$ 20,183	$14,260,150		$14,260,150
Intersegment sales or transfers	6,844	32,454	305,622		344,920	25,789	370,709	$ (370,709)	
Total	1,427,102	6,631,260	5,384,697	1,141,828	14,584,887	45,972	14,630,859	(370,709)	14,260,150
Segment profit	21,466	57,320	8,261	44,377	131,424	1,019	132,443	(23,872)	108,571
Segment assets	440,831	1,376,036	586,177	617,407	3,020,451	11,432	3,031,883	306,487	3,338,370
Other:									
Depreciation	3,557	42,481	3,701	17,125	66,864	55	66,919	6,349	73,268
Amortization of goodwill	635	9,899	1,942	10,357	22,833		22,833	(1,081)	21,752
Equity in earnings of unconsolidated subsidiaries and associated companies	842	401	963	1,605	3,811		3,811	68	3,879
Investments in unconsolidated subsidiaries and associated companies	19,317	5,442	223	53,887	78,869		78,869	172	79,041
Increase in property, plant and equipment and intangible assets	$ 8,044	$ 25,909	$ 3,122	$ 15,325	$ 52,400	$ 15	$ 52,415	$ 10,466	$ 62,881

Notes:

1. "Other" is a segment not included in any other reportable segments, such as commissioned business for the administrative work.
2. Total corporate expenses included in "Reconciliations" for "Segment profit (loss)," which were not allocated to reportable segment for the years ended March 31, 2011 and 2010 were ¥(1,985) million ($(23,872) thousand) and ¥(1,990) million, respectively. Total corporate expenses principally consist of general and administrative expenses which are not attributable to any reportable segment.
3. Total corporate asset included in "Reconciliations" for "Segment asset," which was not allocated to reportable segment as of March 2011 and 2010 was ¥25,484 million ($306,487 thousand) and ¥30,145 million, respectively. Total corporate asset principally consists of cash and cash equivalents which cannot be allocated to any reportable segment.

4. Segment profit (loss) is adjusted for operating profit in the accompanying consolidated statements of income.

(4) Information about products and services

Information about products and services is not presented since sales amount of single product or service to external customers accounted for more than 90% of consolidated net sales of the Company.

(5) Information about geographical areas

(a) Sales

Information about geographical areas is not presented since sales in Japan accounted for more than 90% of consolidated net sales of the Company.

(b) Property, plant and equipment

Property, plant and equipment information by geographic area is not presented since all property, plant and equipment are located in Japan.

(6) Information about major customers

Information about major customers is not presented since no outside sales to major customers accounted for more than 10% of consolidated net sales of the Company.

(7) Information about impairment loss on property, plant and equipment and intangible assets by reportable segment

	Millions of Yen						
	2011						
	Industrial Material	Car Life	Trade	Home Life	Other	Elimination/ Corporate	Total
Impairment loss on assets		¥ 95		¥ 6			¥ 101

	Thousand of U.S. Dollars						
	2011						
	Industrial Material	Car Life	Trade	Home Life	Other	Elimination/ Corporate	Total
Impairment loss on assets		$ 1,137		$ 78			$ 1,215

(8) Information about amortization of goodwill and unamortized balance by reportable segment

	Millions of Yen						
	2011						
	Industrial Material	Car Life	Trade	Home Life	Other	Elimination/ Corporate	Total
Amortization	¥ 53	¥ 833	¥ 162	¥ 861		¥ (90)	¥ 1,819
Unamortized balance	799	2,107	86	1,315		(213)	4,094

	Thousand of U.S. Dollars						
	2011						
	Industrial Material	Car Life	Trade	Home Life	Other	Elimination/ Corporate	Total
Amortization	$ 635	$ 10,022	$ 1,943	$ 10,356		$ (1,081)	$ 21,875
Unamortized balance	9,605	25,343	1,035	15,812		(2,559)	49,236

(9) Information about amortization of negative goodwill and unamortized balance by reportable segment

	Millions of Yen						
	2011						
	Industrial Material	Car Life	Trade	Home Life	Other	Elimination/ Corporate	Total
Amortization		¥ 10					¥ 10
Unamortized balance		41					41

	Thousand of U.S. Dollars						
	2011						
	Industrial Material	Car Life	Trade	Home Life	Other	Elimination/ Corporate	Total
Amortization		$ 123					$ 123
Unamortized balance		492					492

For the year ended March 31, 2010

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, gas oil, heavy fuel oil, grease, automobile supplies, car inspection, maintenance, car rental and alternative energy equipment (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 (LPG), equipment (combustion, kitchen, air conditioning, household equipments), commodities, catalogue merchandise, sundries and alternative energy equipment (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, 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 or transfers	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

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"

(2) Geographical Segments

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

(3) Sales to Foreign Customers

Information on the sales to foreign customers is not presented due to the immateriality of the Group's overseas sales relative to 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. and consolidated subsidiaries (the "Company") as of March 31, 2011 and 2010, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of 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, 2011 and 2010, 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 23, 2011

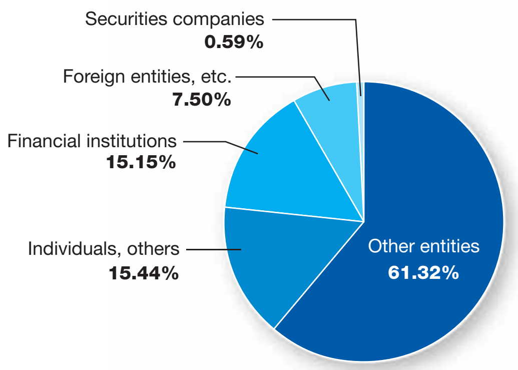
Member of
Deloitte Touche Tohmatsu Limited

Shareholder Information (As of March 31, 2011)

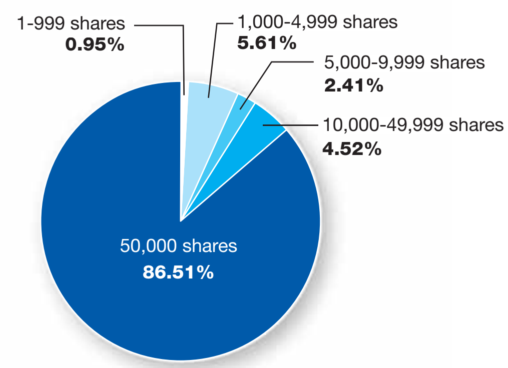
Total Shares and Shareholders

Number of shares authorized to be issued	387,250,000
Number of shares issued and outstanding	116,881,106
Number of shareholders	9,621
Trading unit of shares	100 shares

Shareholders, by Type



Shareholders, by the Number of Shares Held



Note: "Individuals, others" includes treasury stock (3,038 thousand shares).

Principal Shareholders

Shareholder	Number of Shares Held (Thousands)	% of Total Shares Issued
Itochu Corporation	60,947	52.15
Japan Trustee Services Bank, Ltd. (trust account)	3,473	2.97
Enex Fund	3,119	2.67
Nippon Life Insurance Company	2,203	1.88
JX Holdings, Inc.	2,009	1.72
The Sumitomo Trust & Banking Co., Ltd.	1,974	1.69
Sinanen Co., Ltd.	1,570	1.34
Itochu Enex Employee Shareholding Association	1,555	1.33
The Master Trust Bank of Japan, Ltd. (trust account)	1,277	1.09
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus U.S. Pension	1,274	1.09

Business Procedures/Other

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
Published in September 2011

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