ANNUAL REPORT **2013**

Fiscal Year Ended March 31, 2013

Partnering with society and ordinary people

ITOCHU ENEX CO., LTD.

Itochu Enex Group

Vision & Action

With partnering with society and ordinary people—in the energy field, in the car, in the home—as its corporate philosophy, the Enex Group has delivered petroleum products, liquefied petroleum gas ("LPG") and other energy sources to customers nationwide for half a century. Regardless of changes in energy or how it is delivered, we will deliver energy as a partner of society and ordinary people as long as there are customers with energy needs. Under the Enex Group corporate philosophy, we aim to enrich people's lives through our energy delivery business, and to be the Group of choice for customers and society.

Corporate Philosophy

Partnering with society and ordinary people—in the energy field, in the car, in the home—

Field of Business

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

Growth Strategy

The Group medium-term business plan, "Core & Synergy 2013 Phase II"

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.

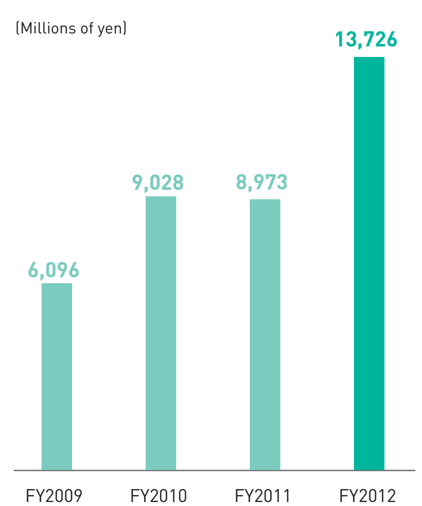
Consolidated Financial Highlights

ITOCHU ENEX CO., LTD. and its Consolidated Subsidiaries

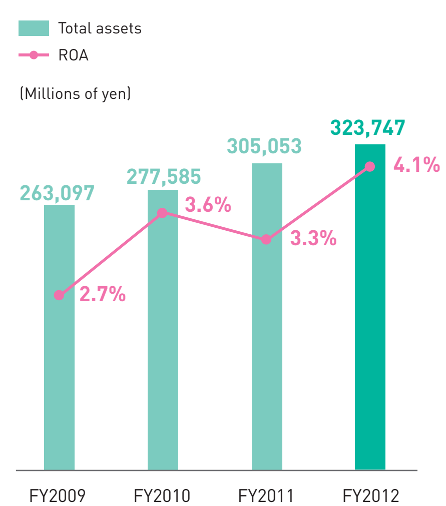
Years ended March 31	2010	2011	2012	2013	2013
Results of Operations		(Millions of yen)			Thousands of U.S. dollars
Net sales	¥ 1,083,761	¥ 1,185,732	¥ 1,414,161	¥ 1,430,746	$ 15,212,610
Operating income	6,096	9,028	8,973	13,726	145,947
Net income	4,360	3,884	3,893	5,577	59,297
Financial Position at Year-End					
Total assets	263,097	277,585	305,053	323,747	3,442,289
Total equity	92,058	94,123	96,091	106,531	1,132,701
Cash Flows					
Cash flows from operating activities	4,962	11,481	(271)	21,607	229,736
Cash flows from investing activities	(3,613)	(8,299)	(6,904)	(25,048)	(266,320)
Cash flows from financing activities	(16,988)	(7,091)	(1,392)	5,965	63,424
Cash and cash equivalents at end of year	27,598	23,735	15,313	17,881	190,119
Amounts per Share		(Yen)			U.S. dollars
Net income: Basic	37.46	34.12	34.22	49.36	0.52
Net assets	791.24	805.95	826.68	868.69	9.24
Ratios		(%)			
ROE	4.88	4.27	4.21	5.82	
ROA	2.7	3.6	3.3	4.1	
Shareholders' equity ratio	34.24	33.05	30.62	30.32	
For Reference					
Number of employees	3,528	3,441	3,408	3,706	
[Others, average number of temporary employees]	[2,026]	[2,070]	[1,944]	2,008	

Notes: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥94.05=U.S.$1, the approximate Tokyo foreign exchange market rate as of March 31, 2013.
2. Number of employees excludes personnel seconded by the Group but includes personnel seconded to it.

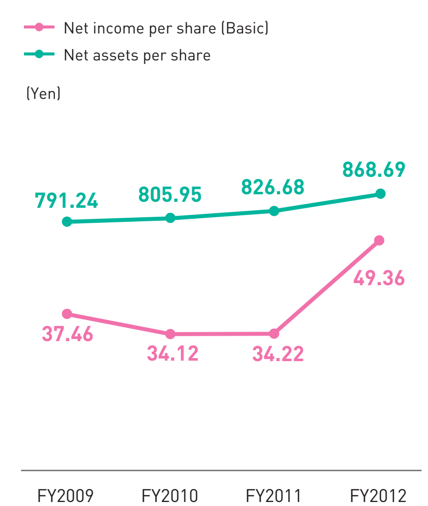
Operating Income



Total Assets and ROA

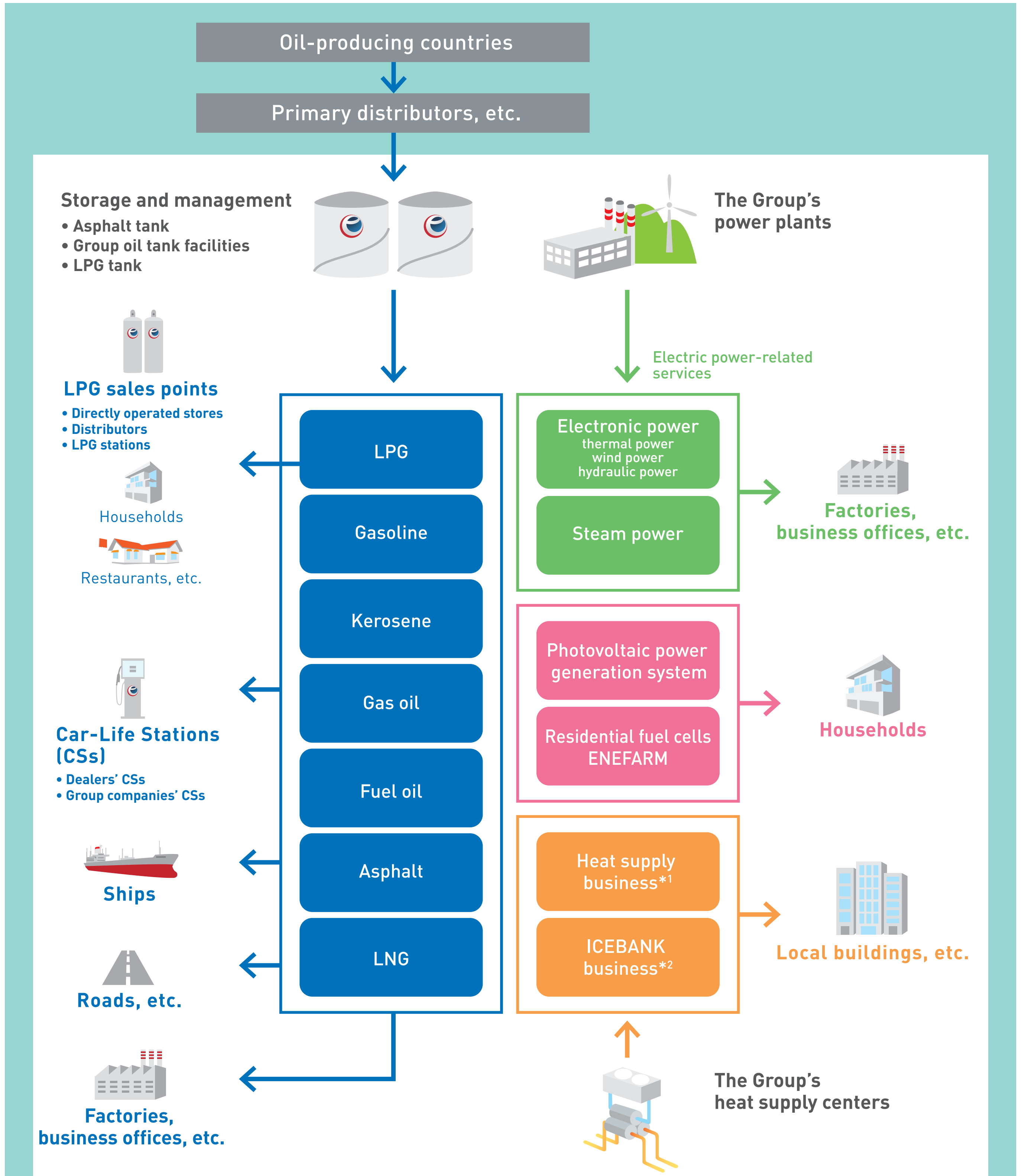


Amounts per Share



Service Flow of the ENEX Group

Flow of energies delivered by the ENEX Group to our customers



*1 Heat supply business supplies cold and hot water for air conditioning to office buildings and other multiple buildings from a heat source plant using pipes.
*2 ICEBANK is a contract-based thermal storage service, under which heat source equipment is installed at individual buildings utilizing the know-how of heat supply businesses.

New Group Medium-term Business Plan

Heading into Final Year of Group's "Core & Synergy 2013" Medium-term Business Plan

Group Medium-term Business Plan

Core & Synergy 2013

Phase II: Pursuit of a New Stage through Reform

Period

Three years (FY 2011 – FY 2013)

Positioning

We are positioning the business plan as a foundation on which to expand the management direction formed during the previous "Core & Synergy 2010" business plan, proactively develop new business models, and leverage the 50th anniversary of the company to realize a new leap forward.

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.

Key initiatives and related accomplishments

Improvement of petroleum product distribution functions

- Strengthened the CS network and LPG sales business through M&As and restructuring of group companies
- Secured a nationwide asphalt supply structure comprising newly established asphalt terminals and company-owned tankers

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

- Continued expansion of E-koto Shops, where we propose new lifestyle options directly to consumers
- Promoted new business formats, such as Itsumo Rent-a-Car and Itsumo Car Net

Transformation into a company providing the best mix of energy

- Strengthened power generation capacity through capital investments in JEN Holdings Co., Ltd.
- Entered heat supply business by making Tokyo Toshi Service Company a group company

Active expansion of overseas business

- Acquired an equity stake in IP&E Palau, Inc., thereby entering the petroleum product import and wholesale business in the Pacific area
- Together with ITOCHU Corporation, invested in a US project for the production and sale of biodiesel

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

- Established two Kizuna Net Centers as disaster-response energy distribution centers
- Continued to make financial contributions in support of volunteer activities by group employees as well as local government efforts.

Quantitative Targets (Consolidated targets for fiscal 2013)

Net sales	¥1,550.0 billion
Operating income	¥13.6 billion
Ordinary income	¥13.1 billion
Net income	¥5.8 billion
EPS	¥51.3

While following the basic policy of the Group Medium-term Business Plan and boldly carrying out necessary reforms, the Itochu Enex Group is pursuing a new, more advanced stage of its corporate development.

With drastic changes taking place in the energy industry, we spoke with President Kenji Okada about how the Itochu Enex Group will sustain growth while setting its sights on this next stage.
His comments are summarized below.

Representative Director and President
Kenji Okada

Q Please brief us on the progress being made with the Group Medium-term Business Plan, "Core & Synergy 2013."

The Itochu Enex Group has built nationwide petroleum product and LPG sales businesses with solid ties to the local communities they serve. Now, however, we face dynamic changes in the environment surrounding the energy industry. By following our medium-term business plan "Core & Synergy 2013" and the slogan "Pursuit of a New Stage through Reform," we aim to expand earnings while realizing sustainable growth in tandem with local communities. The progress of the medium-term business plan we launched in fiscal 2011 was greatly set back by the Great East Japan Earthquake in 2011, but we have since made good progress, fueled in part by reconstruction-related demand.

In particular, in fiscal 2012, the middle year of the plan's three-year term, we achieved record net sales, operating income, and ordinary income *[1]. However, we are not satisfied with this achievement and think it important to revisit some fundamentals at this time.

To achieve the goals of the medium-term business plan while responding to the changing business environment, we must further enhance Group functions by strengthening governance and our corporate constitution, building a more efficient organizational structure, solidifying the foundations of existing businesses, and aggressively developing business in growth areas. In fiscal 2013, the final year of the current medium-term business plan, we will devote all of our energies to executing the plan's growth strategies and achieving its goals.

*1: See page 20 for a more detailed presentation of fiscal 2012 results.

Q Please share with us some of your plans for your mainstay revenue-generating business area, petroleum and gas-related business.

In Japan, demand for petroleum products and LP gas is clearly trending downward, affected by such demographic changes as the falling birthrate and aging population as well as advances in fuel-efficient technologies and the Japanese people's heightened awareness of reducing their energy consumption. However, these currents do not change the fact that these energy sources remain essential to modern life. The Itochu Enex Group has positioned the infrastructure supporting our everyday lives as a core business. We are pushing ahead with building a stable supply structure that will enhance our competitiveness to create a more advanced supply chain.

One of our most important initiatives, first of all, is to enhance our energy product supply capabilities by strengthening our storage tank network and marine transport capabilities. We currently have asphalt terminals in 13 locations throughout Japan, with a total storage capacity of 39,300 tons. We also have three petroleum product storage terminals with total storage capacity of 163,400 kiloliters. Our marine transport capabilities have been enhanced by the launch of two company-owned asphalt tankers between autumn 2012 and spring 2013. The Black Dragon has a loading capacity of 2,300 tons and the Great Crane can hold 1,000 tons.

We are also strengthening area alliances. In March 2013, we supplemented our nationwide CS*[2] network when we acquired the petroleum business of Nichibei-Shokai, which operates 37 CSs in Miyazaki Prefecture. The acquisition gives us more than 15% of that prefecture's gas stations. Also this year, in April, we entered into a capital alliance with Saitama Prefecture's ing Corporation and began joint management of that company's LP gas business.

In addition to expanding our sales network, we are proposing new businesses in related areas and strengthening management support for our dealers and Group companies. Through such measures we plan to sustain the growth of our core businesses related to petroleum products and LP gas.

*2: CS is short for Car-Life Stations, full-service automobile service stations affiliated with Itochu Enex.

Q The electric power-related business and heat supply business have been gaining momentum. What are your plans for new businesses?

We have positioned the electric power-related business and heat supply business as two areas we plan to aggressively develop into new core businesses. The electricity and steam supply business led by Group company JEN Holdings is adding generation facilities and raising operating rates in the rather tight supply-demand situation in the electrical power market. As a result, JEN has been growing steadily and is now making a positive contribution to Group earnings.

The special feature of our electric power business is the integration of company-owned power generation facilities with distribution and sales networks, which enable us to engage in both electrical power generation and retail sales. Going forward, we plan to continuously invest aggressively to secure various energy sources, including renewable energy, in order to grow this business into one of Japan's top five new electrical power suppliers within the next three or four years.

We also aim to further expand sales of solar power generation systems and our ENEFARM household fuel cell systems as part of our "Energy Creation" initiative for household users. By adding renewable energy to our petroleum products and LP gas capabilities, we will be able to offer households the energy mix that best suits their particular lifestyles. Another important new business that we expect to become a growth driver is the regional heat supply business operated by Tokyo Toshi Service, which became a group company in May 2012. The company's heat supply centers supply hot and cold water for use in heating and cooling systems to nearby buildings via a local conduit system, thus helping local users realize the benefits of urban living with a comfortable, economic, and energy-efficient source of electrical power. In fiscal 2012, Tokyo Toshi Service benefited from increased demand for air conditioning during an extremely hot summer, leading to higher sales and a significant contribution to Group revenue.

Q What are your thoughts on overseas expansion?

Overseas business is another priority area for the Group and we plan to invest extensively to grow our business in overseas markets. We have been participating in a petroleum product import and wholesale business in the Pacific region since 2011. In May 2013 we joined forces with ITOCHU Corporation to participate in a project in the U.S. state of Nebraska that is using inedible feedstocks to produce next-generation biodiesel fuel.

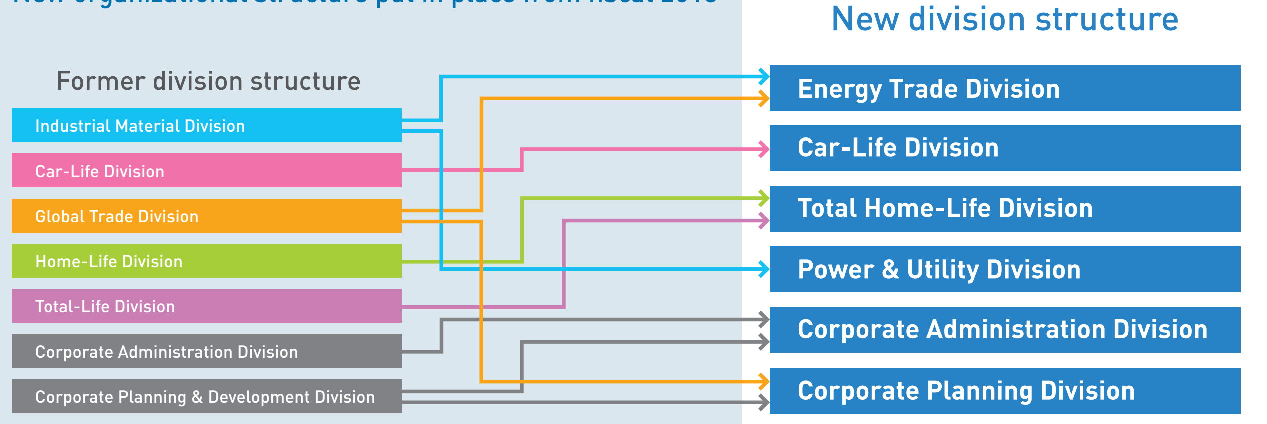
In the future, we plan to strengthen cooperation with Itochu as we seek to become a player in a wider range of overseas markets. We look forward to nurturing the development of projects that will deliver stable revenue, from a medium- and long-term perspective.

Q This April you carried out a major organizational restructuring. Please tell us the objectives of this change.

This year marks the 52nd anniversary of our founding. Looking around, I noticed that our growth into a large enterprise had come at certain costs, and we may have lost some important characteristics that we would like to retain. On the other hand, it also was readily apparent that, to sustain growth in a rapidly changing energy industry, we needed a more dynamic organizational structure that would enable us to pursue synergies only possible by transcending the barriers separating our individual segments. In other words, we needed a somewhat slimmer, more muscular organization that would facilitate bold, decisive action by a well integrated Itochu Enex Group focusing on growth businesses.

We therefore carried out a drastic reorganization and started the new fiscal year this April with a corporate organization comprising six divisions including four business divisions. I am confident this new organization will speed up the entire Group's decision-making while adding to its flexibility and improving corporate governance. It will also support expansion and enhancement of our core petroleum product and LPG sales businesses while facilitating the full-fledged

New organizational structure put in place from fiscal 2013



development of our new power and utility business as well as overseas business.

Going forward, we will continue to undertake any reforms necessary to remake the Itochu Enex Group into an organization that can move nimbly yet powerfully as it pursues expansion in an energy industry undergoing constant upheaval.

Q Since the Great East Japan Earthquake in 2011, safety and security against disasters have become a topic of intense and widespread interest in communities throughout Japan. What are your thoughts on the social responsibilities of an energy company?

The tragic experience of the Great East Japan Earthquake has made us more aware than ever before of our social responsibilities as an energy company. Recovery efforts in the disaster-stricken areas have been positioned as a priority in our medium-term business plan, and we are following through in many ways, including encouraging volunteer activities by Group employees, providing donations and other financial support, and contributing energy facilities.

Our renewed awareness of the importance of securing regional energy lifelines has led us to establish disaster-response petroleum distribution centers as an integral part of our activities in support of recovery. These centers, which we call Kizuna Net Centers, have their own onsite electrical power facilities and resident disaster prevention experts. In normal times, they supply energy to hospitals and other medical institutions, nursing care facilities, food production plants and other power users. During a natural disaster or other crisis, the centers prioritize providing energy to evacuation centers and crucial public facilities as requested by local municipalities that have entered into disaster prevention agreements. In October 2012, we established a Kizuna Net Center in Miyagi Prefecture's Rifu Town. We established a second center in Saitama Prefecture's Fukaya City in March this year. By expanding the network of these disaster-response energy distribution bases, we will continue to promote the construction of an energy lifeline system in preparation for future crises.

Given our position as an energy solutions company group, we consider fulfillment of our social responsibility an important management issue. By allaying people's concerns about stable energy supplies, reinforcing the security framework that enables all our customers to use energy without worry, and redoubling our efforts to protect and conserve the environment, we intend to contribute to the realization of a sustainable modern society.

Q In conclusion, what specific message would you like to send to stakeholders?

Although the Itochu Enex Group is energetically and enthusiastically moving into new business domains, our core strength and the foundation of all our business is the extensive nationwide sales network established over the past half century by our petroleum product and LPG sales businesses. By placing even greater importance on the strong bonds we have established with our business partners and communities around the nation, we will work together to enter a "new stage" as "a partner of society and ordinary people."

Our operating environment and customers' energy needs are undergoing drastic change, in part due to the impact of the seismic changes taking place in the global energy industry. Although the future is growing increasingly unpredictable, the Itochu Enex Group will continue its efforts to sustain growth and enhance corporate value by responding flexibly to change and selecting the most appropriate routes for our own evolution as an energy solutions company group.

Business Structure and Segments (From April 1, 2013)

The Enex Group is Moving to the Next Stage

Four core businesses of Itochu Enex

For more details about the major products and services of each business segment, please visit our website.
http://www.itcenex.com/english/

Energy Trade Division

We propose optimal energy solutions for supporting the industrial base and develop a global trade business.

As an expert in industrial-use energy, the Energy Trade Division proposes optimal energy solutions to corporate customers centered on the sale of industrial energy including petroleum products, LP gas, natural gas and industrial materials such as asphalt. In addition, as the core of the petroleum product trading function in the domestic operations of the Itochu Group, we are expanding our export, import and domestic sales of petroleum products. We are also expanding on a global scale through our marine fuel sales business at major ports in Japan and overseas, tanker operation and chartering business, storage tank operation and other businesses.

Major business and products

- **Industrial energy**
  Kerosene, gas oil, fuel oil, high-pressure gas
- **Industrial materials, environment-friendly products**
  Asphalt, high-grade urea (AdBlue)
- **Fuel cards for corporate customers**
  Corporate cards for carriers or manufacturers that own vehicles
- **Petroleum product trading business**
  Import, export and domestic sale of petroleum products as the core of petroleum product trading in the Itochu Group
- **Marine fuel sales business**
  Trading and selling marine fuels in major ports inside and outside Japan
- **Tanker operation and chartering business**
  Global arrangement and operation of petroleum product tankers
- **Storage tank leasing business**
  Creation of a robust supply network to respond to customers' needs through tanks owned nationwide

Car-Life Division

We operate Car-Life Stations that contribute to comfortable, convenient living and transportation by meeting every car-life need.

The Car-Life Division sells gasoline, kerosene, oil, and other products to approximately 2,200 affiliated Car-Life Stations, making us the No. 1 energy trading company in Japan in terms of scale. We strive to adapt swiftly to changes in increasingly diverse customer needs through a basic approach of transforming ordinary service stations into the Car-Life Station format. We work to enhance station operator earnings and create Car-Life Stations with strong customer appeal by providing a comprehensive range of auto services. We also aim to make life more convenient for people who don't own cars through services designed from a consumer perspective, notably Itsumo Rent-a-Car, a pre-owned vehicle hire service that helps to vitalize local communities. In this way, we aim to make everyday life more enjoyable and convenient for car owners and occasional car users alike.

Major business and products

- **Vehicle fuel**
  Gasoline, kerosene, gas oil, engine oil
- **Car-Life support business**
  Itsumo Rent-a-Car
  Used car sales system (Itsumo Car Net)
  Car business support (cabusu) program for ASP-type CSs
- **Card business**
  Car ENEX itsumo card
- **Sales point management support**
  IT systems
  E3 (Enex Exciting Engine, a new POS system that includes an accounting system)
  E3 Pro (independent E3 processing using the Internet and computer)

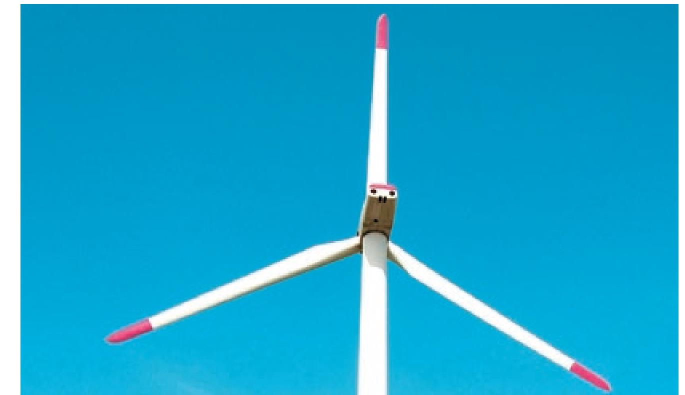
Total Home-Life Division

We deliver LP gas and various new energies and propose "comfortable" "affluent" and "secure" lifestyles based on energy self-sufficiency.

The Total Home-life Division proposes "comfortable" "affluent" and "secure" lifestyles based on energy self-sufficiency. While delivering LP gas and city gas to more than one million households and businesses nationwide, we also operate a kitchen and bathroom remodeling business and offer home and lifestyle-related products and services. In addition, we offer various eco-friendly energies, most notably photovoltaic power generation systems and ENEFARM residential fuel cells.

Major business and products

- **LPG sales business**
  Household LPG retail sales business
  Wholesale LPG business
  Corporate LPG retail sales business
  (business, industrial use)
- **City gas sales business**
- **Auto gas business**
- **High-pressure gas sales business**
- **Photovoltaic power generation systems**
- **ENEFARM residential fuel cells**
- **SupercondenserR**
- **Lifestyle-related support**



Power & Utility Division

We operate electric power and heat supply businesses that deliver energy efficiency, comfort and economic benefits.

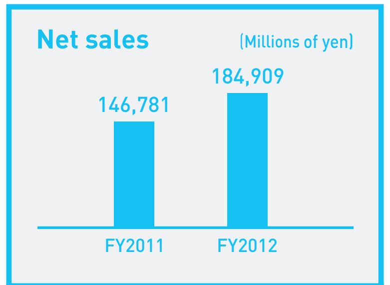
In 2010, Itochu Enex submitted a notice of commencement of a power producer and supplier (PPS) business and launched an electric power retailing business. Since then, we have steadily expanded, welcoming to the Group JEN Holdings Co., Ltd. (JEN), which supplies electric power and heat to factories, and IP Power Systems Corporation (IPPS), which provides a bulk power purchasing service to housing complexes, in 2011 and heat supplier Tokyo Toshi Service Company (TTS) in 2012. In April 2013, operations started under the new organization, the Power & Utility Division. In order to contribute to the realization of an energy-efficient and comfortable society, the Itochu Enex Group is placing strong emphasis on the development and expansion of this division.

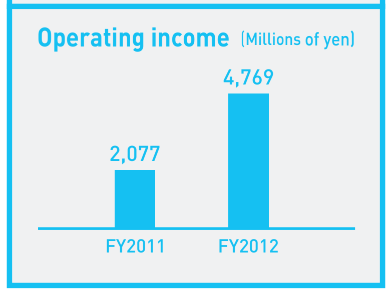
Major business and products

- **Electric power-related business**
- **Heat supply business**
- **LNG sales business**
- **Groundwater Membrane Filtration System**

Review of Business Operations

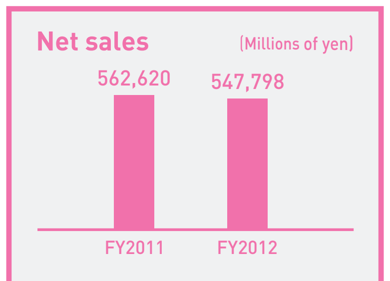
Industrial Material Division

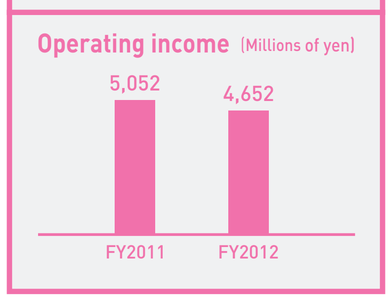




The petroleum product sales business continued its efforts to actively acquire new customers. The asphalt sales business strengthened its distribution functions by completing construction of new company-owned ocean-going asphalt tankers and land-based asphalt storage tanks. Through these efforts, both businesses were able to achieve year-on-year increases in sales volume. The AdBlue sales business also increased sales volume over the previous year thanks to more widespread use of urea SCR vehicles. The general high-pressure gas business managed to post results similar to previous year levels despite low industrial plant operating rates during the year. The electricity and steam supply business posted increases in sales volume and profits as it added to its power generation facilities, increased operating rates, and saw profit contributions from its wind generation business. The heat supply business, which we entered in May 2012, achieved solid results as climatic factors pushed up demand for heating and air-conditioning.

Car-Life Division





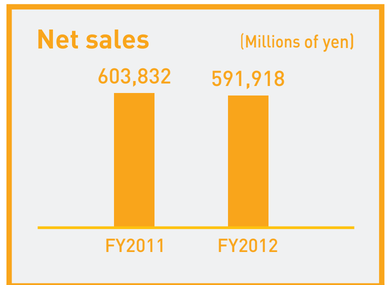
The Car-Life Division saw sales volume fall from the previous-year level owing to lower demand for petroleum as demand from Great East Japan Earthquake-related reconstruction efforts subsided and fuel-efficient vehicles came into greater use in Japan. In this environment, we promoted the ENEX ACT Program*1 as part of our activities supporting Car-Life Stations. By selecting model Car-Life Stations*2 to serve as bases providing information on the local area and effectively using the information and operational expertise acquired through this initiative, we were able to strengthen the revenue base of group companies and dealers. In addition, we continued our proactive efforts to enhance disaster-response bases, such as our Kizuna Net Centers.*3 As of the end of the fiscal year, the total number of Car-Life Stations operated by Group companies reached 2,182 (a net increase of 25 stations from the end of the previous fiscal year).

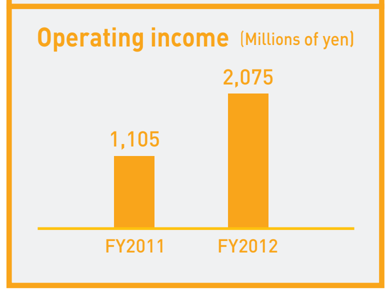
*1 ENEX ACT Program is a strong source of support for our Car-Life Station operators. Under this program, we work closely with Car-Life Station operators to raise their competitiveness by analyzing their station operations and competitive climate and through group training.

*2 Car-Life Stations are full-service automobile service stations affiliated with Itochu Enex.

*3 Kizuna Net Centers are disaster-response petroleum distribution centers, which were opened in Rifu-cho, Miyagi Prefecture in September 2012, and in Fukaya City in Saitama Prefecture in March 2013, as part of the medium- and long-term support for reconstruction of areas hit by the Great East Japan Earthquake. With a privately-owned electrical power facility, stable supply of energy to medical institutions and nursing homes for the elderly becomes possible in the time of disaster.

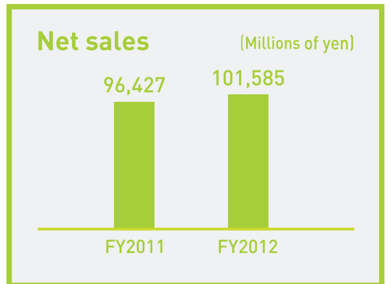
Global Trade Division

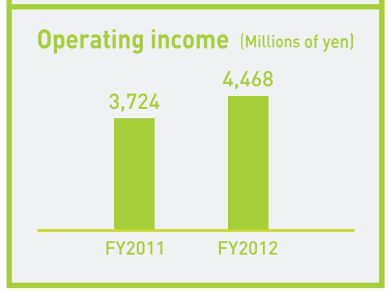




This division's petroleum products trading business achieved a year-on-year increase in sales volume thanks to its unceasing efforts to grasp market trends and customer needs. However, profits were below the previous-year total owing to weakness in the gasoline market during the summer months. The marine fuel sales business achieved higher sales volume and profits as it increased transaction volumes in the overseas operations, especially in Singapore and the Middle East, and in the domestic operations, it strengthened its domestic distribution capabilities and won new business with Japanese ports. The tanker operation and chartering business secured a profit for the fiscal year through its efforts to increase vessel operating efficiency and reduce costs. The business' spot-chartering and vessel-operation services also contributed to profits.

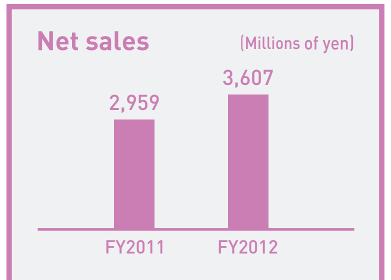
Home-Life Division

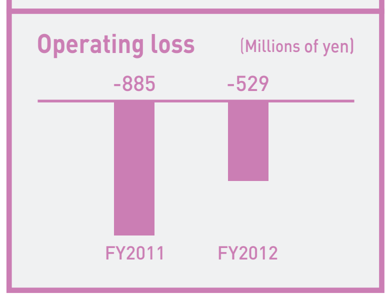




Direct LPG sales volume increased year on year as the average temperatures nationwide during the core demand season were lower than in the previous year. Although, the price of imported LPG was higher than usual, the division was able to secure a reasonable profit thanks to Japan's gas rate adjustment system. During the year, we reached a basic agreement on a capital tie-up with ing Corporation; we expect the tie-up to help us expand into new geographical markets and strengthen the competitiveness of our services to residential customers. The Home-Life Division is targeting increased sales of new types of energy equipment as its most important strategy. During the fiscal year under review, the Division established a dedicated marketing unit for this purpose. As a result sales of solar power generation systems expanded 68% year on year.

Total-Life Division





The Total-Life Division stepped up its efforts to expand sales of solar power generation systems and its ENEFARM household fuel cell systems by establishing new sales channels. In particular, the Division aggressively marketed industrial solar power generation systems (capacity of 10kW per hour or more), for which demand has been rapidly increasing. It also stepped up marketing of a model device of our proprietary lithium-ion storage battery system for household use primarily through LPG distributors. The Division also developed an electricity storage system that meets requirements for government subsidies. Finally, the division expanded the customer base for its supercondenser*, an energy-saving system for air conditioners by displaying the product at an international exhibition.

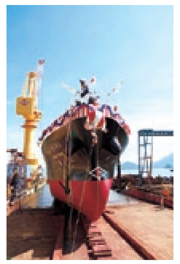
* Supercondenser: An additional install-type condenser, which by simply attaching to outdoor units of commercial air conditioners will increase their operating efficiency, thereby realizing energy savings and reduced power consumption.

01 TOPICS Asphalt supply structure strengthened

Second asphalt tanker Great Crane added in May 2013

Our asphalt sales business is one of the core operations of our industrial materials business. In recent years, we have endeavored to strengthen these operations. In 2012, we added three asphalt terminals (Tomakomai, Osaka, and Sodegaura) and christened our first asphalt tanker, the Black Dragon. With 13 terminals strategically located throughout Japan and our own means for transporting product, we now have an asphalt supply structure that covers the entire nation.

To further strengthen our logistics function, our second asphalt tanker, the Great Crane, was delivered and added to the fleet in May 2013.

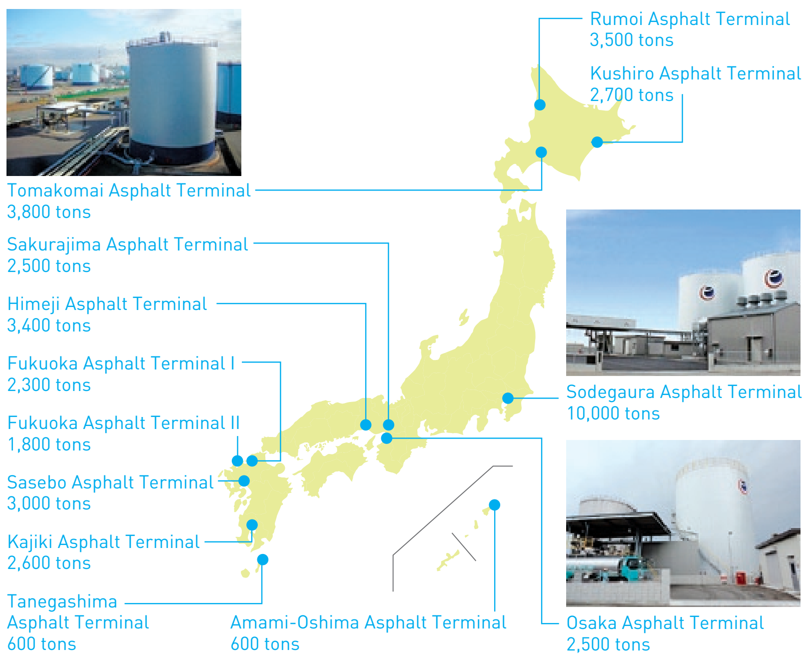


Great Crane

The Great Crane is able to ply both domestic and transoceanic routes, and we are using it mainly to transport asphalt between Japan and South Korea.

We regard asphalt as an important industrial material in modern societies and will continue our efforts to provide a stable supply of this material.

Itochu Enex's 13 asphalt terminals and tank capacity (total capacity = 39,300 tons)



02 TOPICS Petroleum product sales business expands territorial reach

Takes over petroleum business of Nichibei-Shokai Co., Ltd.

The Itochu Enex Group is promoting further strengthening of its core petroleum product sales business in line with its medium-term business plan. As part of that effort, in March 2013 we acquired the petroleum business of Nichibei-Shokai Co., Ltd.

Nichibei-Shokai's petroleum product sales business has a long history of close ties to the local communities it serves as social infrastructure in Miyazaki Prefecture on the island of Kyushu.

Merging with the Itochu Enex Group's petroleum product sales network will enhance efficiencies for Nichibei-Shokai's business and strengthen the operating base for the Itochu Enex Group.

03 TOPICS LPG business strengthens marketing capabilities

Establishment of ing Energy Corporation

In January 2013, the Itochu Enex Group entered into a capital alliance with ing Corporation (ing) of Saitama Prefecture, paving the way for the startup of joint management of the company's LPG business from fiscal 2013. ing operates an LPG business with strong ties to the local communities in Saitama Prefecture. The Itochu Enex Group was previously working with ing to rationalize and enhance the efficiency of its distribution function.

The capital alliance included the establishment of a joint venture that extends the cooperation between the Group and ing to the marketing side, where we expect to create synergies that further enhance our competitive strengths.

Overview of ing Energy Corporation

Business: Production and sales of liquefied petroleum gas; inspection of high-pressure gas tanks, etc.
Location: 1-1-29 Sakasagawa, Konosu-shi, Saitama Prefecture
Established: April 1, 2013
Paid-in capital: ¥50 million
Employees: 103 persons (as of April 1, 2013)

04 TOPICS Establishing disaster-response energy distribution bases

Second Kizuna Net Center opened in Saitama's Fukaya City

As an integral part of our activities in support of recovery from the Great East Japan Earthquake, we established our first Kizuna Net Center in Rifu-cho, Miyagi Prefecture, in October 2012, and then opened Kizuna Net Center Fukaya in Fukaya City, Saitama Prefecture in March 2013. Both centers have their own onsite electrical power facilities that in normal times supply energy to nursing care facilities, hospitals, food production plants and other power users. During a natural disaster or other crises, the centers provide energy preferentially to evacuation centers and crucial public facilities.

The Company along with group subsidiary Enex Petroleum Sales Higashi-Nihon Co., Ltd. and Saitama Prefecture's Fukaya City have entered into a tripartite agreement to promote cooperative efforts during disasters.

We plan to promote the establishment of Kizuna Net Centers throughout Japan.


Kizuna Net Center Fukaya

Signing of tripartite agreement: from left, Enex Petroleum Sales Higashi-Nihon President Akira Uchida, Fukaya Mayor Susumu Kojima, Itochu Enex President Kenji Okada.

Facilities	Underground tanks: total capacity of 300kl (75kl for kerosene, 25kl for gas oil, 200kl for fuel oil) Loading arms: 4 Distribution trucks: 5
Disaster-response equipment	12.5kVA diesel-powered electric generators Small, portable generators

05 TOPICS Moving into electric power business via renewable energy

Acquisition of our second wind power generation farm

In keeping with our corporate philosophy of "Partnering with society and ordinary people" and our goal of becoming a company providing the best mix of energy, in 2011 we acquired a 100% capital stake in JEN Holdings Co., Ltd., which is active in the power generation business.

At the time of the acquisition, JEN was operating power generation facilities in Hofu, Joetsu, Amagasaki and Kusu. During fiscal 2012, JEN further strengthened its power generation business by acquiring its second wind power generation farm, in Hokkaido's Nemuro City by making the wind power generation company a subsidiary. The subsidiary therefore now operates five power plants.

The acquired company is already recognized under the renewable energy feed-in tariff system and therefore can be expected to generate stable revenues over the long term.

The Itochu Enex Group looks forward to building business based on the use of renewable energy.

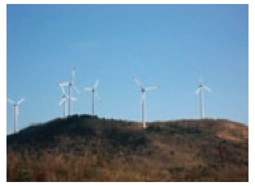
JEN's power generation capacity (as of March 31, 2013)

Hofu Energy Service Co., Ltd.
Thermal power generation (powdered coal)
50,550kW

Amagasaki Energy Service Co., Ltd.
Thermal power generation (natural gas)
4,000kW

Joetsu Energy Service Co., Ltd.
Thermal power generation (natural gas, fuel oil); hydraulic power generation
55,090kW

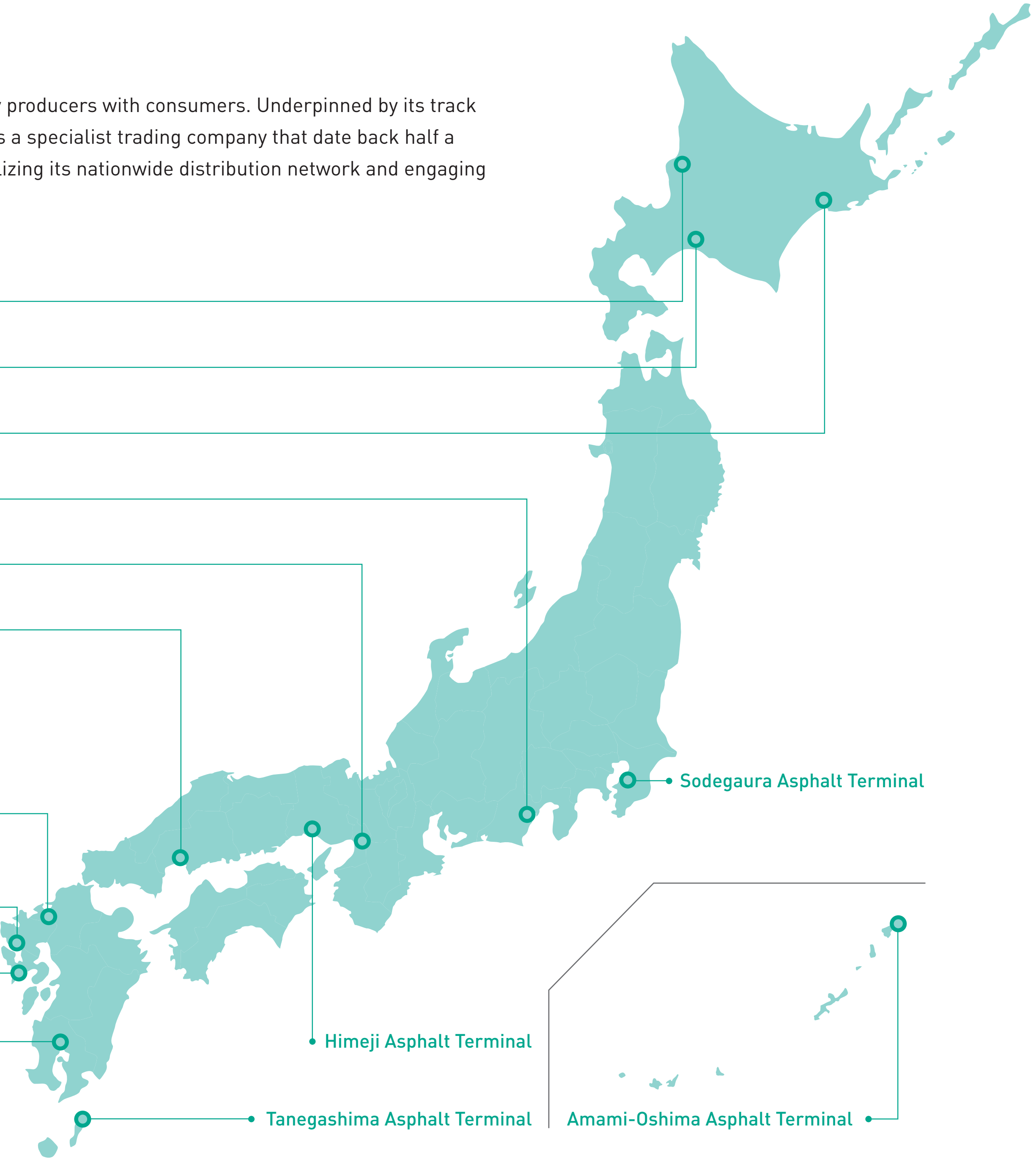
JEN Kusu Wind Farm Co., Ltd.
Wind power generation
11,000kW



JEN Konbumori Wind Farm Co., Ltd. NEW
Location: 149-12 Konbumori, Nemuro-shi, Hokkaido
Turbine type: Variable-speed, upwind propeller-blade turbines
No. of turbines: 6 (five 1,500kW turbines, one 2,500kW, all made by GE)
Total rated output: 10,000kW
Total area: 366,219m²
Operating startup: 2004

The Nationwide Energy Network of Itochu Enex

The Enex Group connects energy producers with consumers. Underpinned by its track record and wealth of expertise as a specialist trading company that date back half a century, the Company is fully utilizing its nationwide distribution network and engaging in the stable supply of energy.



Nationwide Sales Network (As of March 31, 2013)

The Enex Group sells gasoline, kerosene, gas oil and oil to approximately 2,200 affiliated CSs, making us the No. 1 energy trading company in Japan in terms of scale. The Group also sells LPG to approximately one million households nationwide through approximately 1,600 sales points.

No. of CSs	LPG sales points	No. of auto gas stations
App. 2,200 No. 1 Energy Trading Company	App. 1,600	42

Major Enex Group Oil Tank/Terminal Facilities

Utilizing storage and supply facilities that cover upstream to downstream energy distribution, the Company conducts efficient operations from procurement and storage to delivery to market while giving due consideration to the balance between supply and demand.

Petroleum product storage facilities


Etajima Oil Terminal

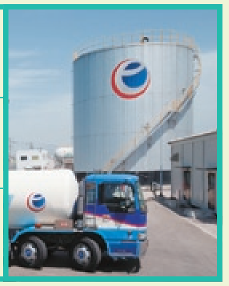

Oigawa Oil Terminal


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)	143,600KL
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

Asphalt terminal

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


Fukuoka Asphalt Terminal

Other asphalt terminals

Rumoi, Kushiro, Tomakomai, Sodegaura, Sakurajima, Osaka, Himeji, Sasebo, Kajiki, Tanegashima, Amami.

High-pressure gas stations

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

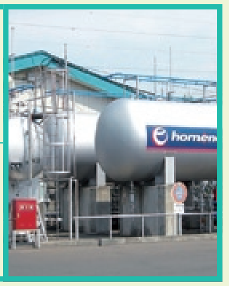

Itochu Industrial Gas Co., Ltd., Kanagawa Branch

Other high-pressure gas stations

Kita-kanto Branch, Chiba Branch, Buzen Factory (Kyushu), etc., of ITOCHU INDUSTRIAL GAS CO., LTD.

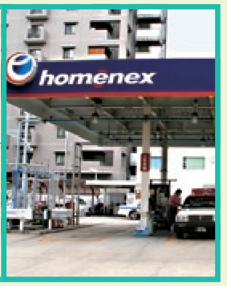
LPG stations

Location	Nationwide
Number	41



Auto gas stations

Location	Nationwide
Number	42



CSR Management

Corporate governance

Corporate Governance Structure

Based on the Group Code of Conduct—"Be Ethical" (Reliability and sincerity, creativity and flair, transparency and integrity)—and the Declaration of the Group Code of Conduct, Itochu Enex's management continuously endeavors to strengthen corporate governance as it strives to manage Group operations while constantly keeping in mind the need to ensure thorough compliance, the importance of shareholders' interests, management transparency, and swifter decision-making. The Company 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.

Internal Control Systems

Based on revisions to the Basic Principles on Internal Control Systems implemented from April 1, 2013, the Company has established a corporate structure designed to ensure corporate governance, compliance, and the appropriateness of its financial reporting. In addition, the Company conducts periodic evaluations of its conduct of such operations and revises as necessary.

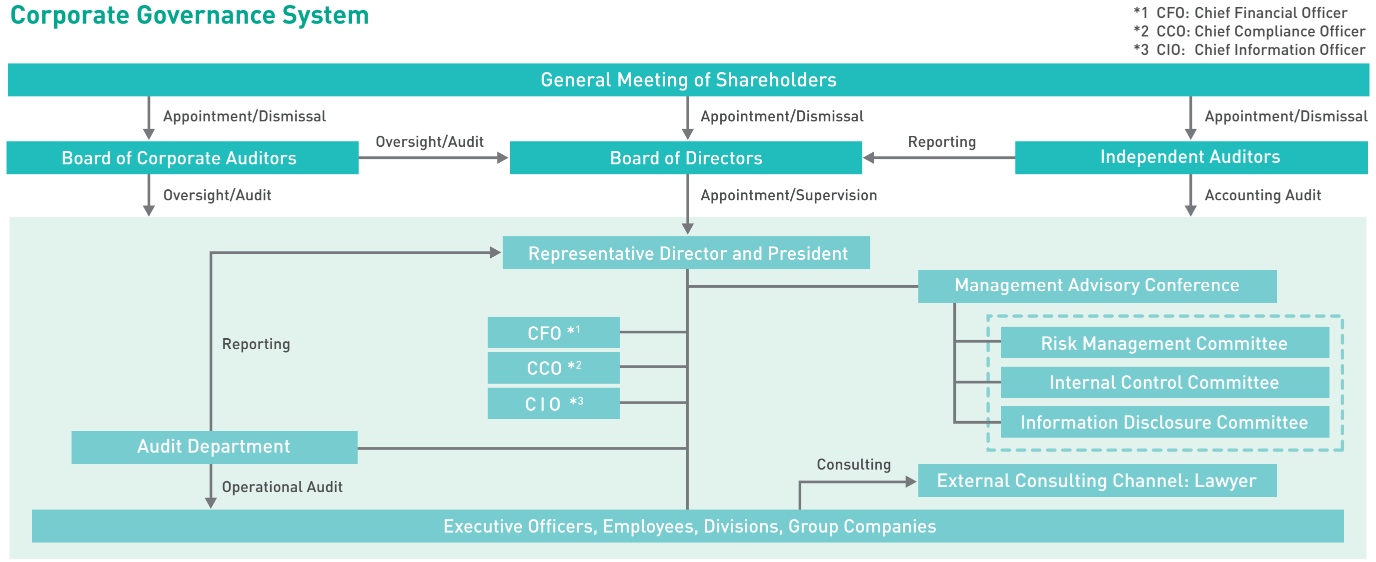
Systems for Handling Emergency Situations

The Company has revised its "Emergency Contact Network" in accordance with recent organizational restructuring. The Emergency Contact Network enables the company to quickly obtain an accurate grasp of the situation and respond appropriately in the event of an accident or risk arising within the Group. It also enables management to quickly grasp the damage to Group facilities and sales points and respond quickly to secure lifelines in the event of an earthquake, typhoon, torrential rain, or other natural disaster. The Emergency Contact Network is an integrated contact system that establishes the lines of communication among Group companies, business divisions, and the office of the President in the event of a major earthquake, natural disaster or other accident. The system is operational around the clock, 365 days a year, including outside working hours.

BCP/Disaster Response Headquarters

In preparation for natural disasters and other unpredictable events that could interrupt business operations, the Company has formulated a business continuity plan (BCP). At such times, important functions will be consolidated in the BCP/Disaster Response Headquarters. The Headquarters is headed by the President, with the Company's Chief Compliance Officer (CCO) serving as Deputy Head and other members including the General Managers for each business division, the General Managers for each division's planning and administration departments, and the General Managers for each department in the Corporate Administration Division. In the event of a major disaster, headquarters members will gather automatically at a previously designated location to provide a unified chain of command and expand systematic collaboration in order to realize a unified response to the disaster by the entire Company. In preparation for the event that the Company's head office in Tokyo is shut down by a major disaster in the Tokyo Metropolitan Area, the Company has established a backup system that transfers corporate headquarter functions to either the Chubu or Kansai branch office.

Corporate Governance System



CSR/Safety and Compliance

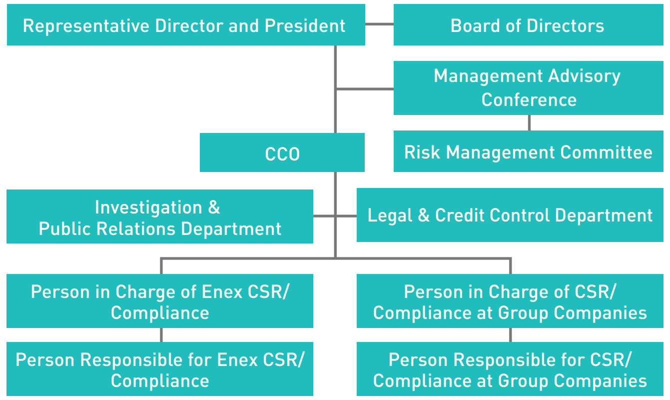
CSR/Ensuring Safety

In accordance with the Enex Group's basic policy of "prioritizing safety at all of our businesses because business cannot be conducted in unsafe environments," the Company is promoting the creation of systems designed to ensure safety and prevent dangerous situations from arising. These efforts include the preparation of various work/process guidelines, including safety manuals and guidelines that are in compliance with related laws and regulations. With the COO serving as head, who is charged with overall responsibility for CSR/ensuring safety of the entire Group, and with a CSR/safety department in place at each business division, the Company works to enhance safety awareness by raising the consciousness of the need to ensure safety among all Group employees.

CSR/Compliance Program

This program ensures the thorough implementation of CSR/compliance efforts at every division throughout the Itochu Enex Group. The program covers all the important elements related to the Company's CSR/compliance efforts—including the corporate philosophy, the employee Code of Conduct, the Declaration of the Group Code of Conduct, the system to promote CSR/safety activities, responses to accidents and claims, maintenance of the Emergency Contact Network, and establishment of the BCP/Disaster Response Headquarters—and it is actively utilized for education and training purposes and in day-to-day operations.

CSR/Compliance System



Thorough adherence to principle of fair transactions

The Itochu Enex Group promises its customers and suppliers that it is committed to the thorough conduct of fair transactions, including conducting all its business activities on the basis of fair and free competition, engaging in fair purchasing activities, complying with the rules for commercial transactions, and never engaging in such unfair practices as cartels and bid-rigging. In addition, the Itochu Enex Group will strive to maintain and strengthen mutual trust with its customers and suppliers with the aim of promoting the joint development of the Itochu Enex Group and its business partners. In addition, the Company has established its own "Guidelines to ensure compliance with antimonopoly laws." By ensuring that all employees conduct their business with a full and clear understanding of the contents of these guidelines, the Company conducts all corporate activities in a manner that promotes fair and free competition.

Protection of Personal Information

To ensure appropriate handling of customers' personal information in accordance with Japan's Act on the Protection of Personal Information, the Company has established its "Privacy Policy" which expresses the importance placed by the Company on compliance with the laws and regulations protecting personal information, establishes systems for controlling personal information and preventing inappropriate access to it, and stipulates security measures to be followed in order to prevent the unauthorized access, loss, destruction, alteration, and unintended disclosure of personal information.

Internal and External Consultation Channels

The Company has set up internal and external (a law firm) consultation channels to allow for access by employees who have violated or think they may have violated the Declaration of the Group Code of Conduct, and to facilitate prompt notification from employees who think executives or other employees have or may have violated the Code.

Directors and Officers (As of August 1, 2013)

Representative Director and President
Kenji Okada

Representative Director and Senior Managing Officer
Hiroshi Arai
General Manager for Corporate Planning Division

Director and Senior Managing Officer
Masaaki Itoyama
General Manager for Total Home-Life Division

Director and Managing Officer
Yutaka Tanaka
General Manager for Corporate Administration Division, Chief Financial Officer, Chief Information Officer, and Chief Compliance Officer

Director and Managing Officer
Tatsunosuke Nagao
General Manager for Power & Utility Division

Director and Managing Officer
Masanobu Takagi
General Manager for Energy Trade Division

Director and Managing Officer
Koji Tsutsumi
General Manager for Car-Life Division

Director and Managing Officer
Hiroyuki Yumeno
Assistant General Manager for Corporate Administration Division

Director
Masanori Toyoshima
Chief Operating Officer for Energy Division No.1 in Energy & Chemicals Company, ITOCHU Corporation

Standing Corporate Auditor
Shuichi Morozumi

Standing Corporate Auditor
Hideo Nakamura

Corporate Auditor
Tadashi Utsunomiya
Chief Financial Officer for Energy & Chemicals Company, ITOCHU Corporation

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

Managing Officer
Akio Nakayama
Representative Director and President, ing Energy Corporation

Managing Officer
Fumio Shimizu
Assistant General Manager for Energy Trade Division

Managing Officer
Masahiko Takasaka
Assistant General Manager for Power & Utility Division

Managing Officer
Hiroto Jinnouchi
Assistant General Manager for Car-Life Division, General Manager for Supply Department

Executive Officer
Koji Yamada
Manager for Kyushu Branch in Car-Life Division

Executive Officer
Hiroshi Hayashida
Assistant General Manager for Total Home-Life Division, General Manager for Total-Life Sales Promotion Department

Executive Officer
Masatsugu Takashima
General Manager for Products Trade Department in Energy Trade Division

Executive Officer
Toshiyuki Tsuruoka
General Manager for Asphalt Department in Energy Trade Division

Executive Officer
Kouichi Otabe
General Manager for Domestic Marine Fuels and Lubricants Department in Energy Trade Division

Executive Officer
Nobusuke Ozaki
General Manager for Human Resources & General Affairs Department in Corporate Administration Division

Executive Officer
Keiichi Matsuzuka
General Manager for Power Project Department in Power & Utility Division
President for JEN Holdings Co., Ltd.

Executive Officer
Naohiro Matsuzawa
General Manager for Global Marine Fuels Department in Energy Trade Division

Executive Officer
Kyosuke Wakamatsu
General Manager for Corporate Planning Department in Corporate Planning Division

Financial Section

Overview of Fiscal 2012 Business Results

Results of Operations

In the fiscal year ended March 31, 2013 [fiscal 2012], despite the ongoing global economic slowdown, the Japanese economy showed small signs of recovery from the end of 2012. The rise in the stock markets in expectation of further fiscal measures including monetary easing had a limited impact on the real economy.

In the petroleum products distribution industry, while consumption decreased with increasing awareness of environmental issues and popularization of fuel-efficient cars, fuel oil slightly increased year on year in general thanks to continuing demand for fuel oil for power generation and others.

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

As a result of the above activities, consolidated net sales in the fiscal year ended March 31, 2013 increased 1.2% year on year to ¥1,430,746 million. Through efforts for entering into new businesses and cost reduction by streamlining operations, consolidated operating income increased 53.0% year on year to ¥13,726 million. Consequently, consolidated net income rose 43.2% year on year to ¥5,577 million.

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

Analysis of the status of assets, liabilities, equity and cash flows

Assets, liabilities and equity

Total assets amounted to ¥323,747 million at March 31, 2013, an increase of ¥18,694 million from March 31, 2012. This primarily reflected an increase in fixed assets in line with Tokyo Toshi Service Company becoming a consolidated subsidiary.

Liabilities amounted to ¥217,216 million, an increase of ¥8,254 million from March 31, 2012. This primarily reflected issuance of bonds.

Equity totaled ¥106,531 million, an increase of ¥10,440 million from March 31, 2012, due to factors including increases in retained earnings and minority interests.

We consequently ended the fiscal year with a shareholders' equity ratio of 30.3%.

Cash flows

Cash and cash equivalents (net cash) totaled ¥17,881 million at March 31, 2013, an increase of ¥2,568 million from March 31, 2012, due in part to an improvement in operating cash flows.

Cash flows from operating activities

Operating activities provided net cash of ¥21,607 million. This was derived mainly from income before income taxes and minority interests of ¥11,498 million and depreciation and amortization of ¥8,491 million.

Cash flows from investing activities

Investing activities used net cash of ¥25,048 million. The main items were ¥9,088 million for purchases of investments in subsidiaries, ¥9,184 million for purchases of property, plant and equipment, and ¥6,545 million for payments for loans.

Cash flows from financing activities

Financing activities provided net cash of ¥5,965 million. The main item was income of ¥7,875 million resulting from an increase in interest-bearing debts such as borrowings, despite expenses of ¥1,940 million for dividends paid.

Current State and Outlook for Management Strategies

Under its corporate philosophy of "partnering with society and ordinary people—in the energy field, in the car, in the home," the Itochu Enex Group has supplied energy, primarily petroleum products and LP gas, to customers throughout Japan for more than a half century. Even as energy sources and the methods of delivery change, the Itochu Enex Group will continue to deliver energy as a partner of society and ordinary people as long as there are people using energy.

By supplying society with energy needed to operate crucial social infrastructure and ordinary people with the energy needed to nurture more abundant lifestyles, the Itochu Enex Group is moving into a new stage as a company providing the best mix of energy solutions.

As a provider of energy sources, the Itochu Enex Group will continue to uphold two constant themes—consideration for the environment and enhancement of CSR and compliance functions including the strengthening of safety—as it strives to contribute to the sustainable development of human society.

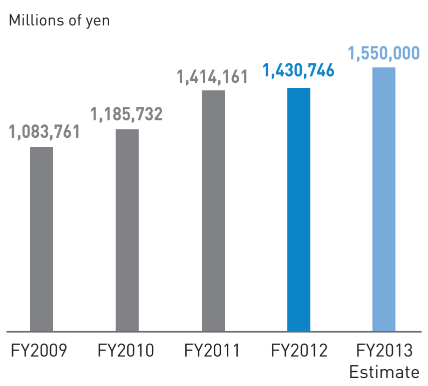
Consolidated Management Indicators Established as Targets

The Itochu Enex Group continues to emphasize improvement of its assets and capital efficiency as a core management goal. As such, we have established ROA, ROE and EPS as key management indicators.

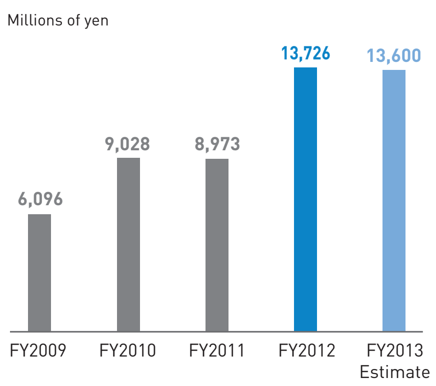
Medium- to Long-term Management Strategy

Under its medium-term business plan, "Core & Strategy 2013," the Itochu Enex Group will strive to strengthen and upgrade its core businesses, develop demand-creative businesses, as well as work on new business models, with the aim of increasing earnings while realizing sustained growth in tandem with the communities we serve by being a provider of the best mix of energy solutions.

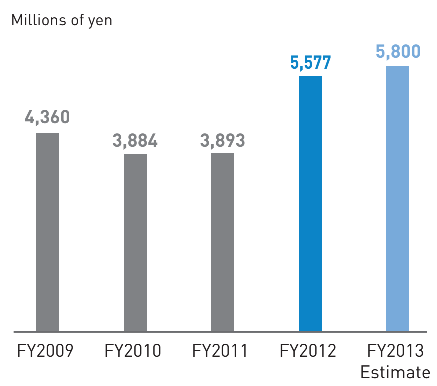
Net sales



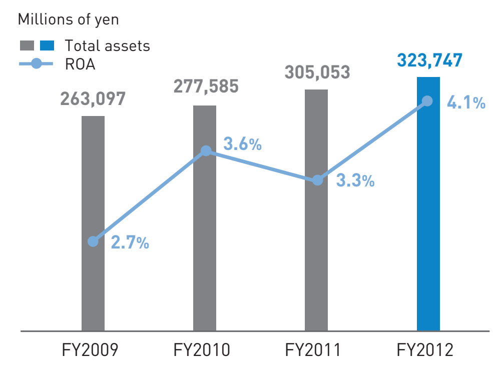
Operating income



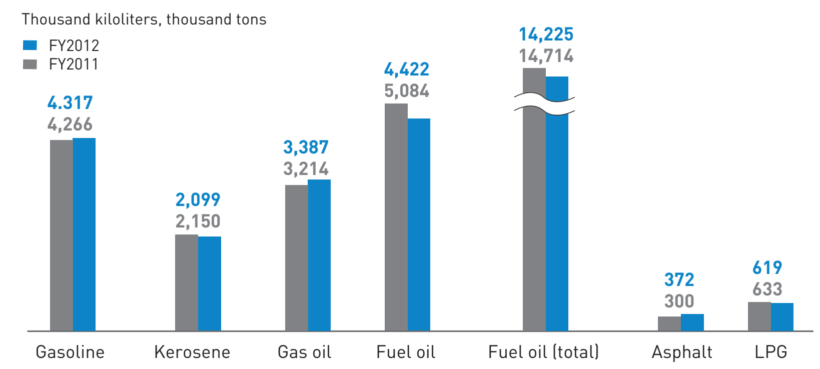
Net income



Total assets/ROA



Sales volume of oil products



Consolidated Balance Sheet

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries

March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents *(Note 16)*	¥ 17,881	¥ 15,313	$ 190,119
Receivables:			
Trade notes and trade accounts *(Note 16)*	139,140	149,705	1,479,429
Unconsolidated subsidiaries and associated companies *(Note 16)*	810	1,833	8,612
Short-term loans	206	478	2,187
Other	7,243	7,787	77,007
Allowance for doubtful accounts	(219)	(306)	(2,328)
Inventories	17,045	14,899	181,229
Deferred tax assets *(Note 12)*	1,964	1,685	20,878
Prepaid expenses and other current assets *(Note 4)*	9,008	6,483	95,796
Total current assets	193,078	197,877	2,052,929
PROPERTY, PLANT AND EQUIPMENT *(Notes 5 and 7)*:			
Land	34,753	35,085	369,519
Buildings and structures	57,725	53,988	613,770
Machinery and equipment	59,229	44,899	629,752
Vessels	488		5,191
Lease assets *(Note 15)*	5,435	4,381	57,791
Construction in progress	589	1,904	6,261
Total	158,219	140,257	1,682,284
Accumulated depreciation	(68,850)	(66,623)	(732,059)
Net property, plant and equipment	89,369	73,634	950,225
INVESTMENTS AND OTHER ASSETS:			
Investment securities *(Notes 4, 8, and 16)*	8,528	7,161	90,680
Investments in and advances to unconsolidated subsidiaries and associated companies	6,741	6,630	71,675
Long-term loans *(Note 16)*	964	1,167	10,250
Goodwill *(Note 6)*	3,209	3,431	34,122
Deferred tax assets *(Note 12)*	2,816	2,724	29,945
Other assets	19,545	13,048	207,813
Allowance for doubtful accounts	(503)	(619)	(5,350)
Total investments and other assets	41,300	33,542	439,135
TOTAL	¥323,747	¥305,053	$3,442,289

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans *(Notes 8 and 16)*	¥ 9,466	¥ 9,000	$ 100,645
Commercial paper *(Notes 8 and 16)*		4,000	
Current portion of long-term debt *(Notes 8 and 16)*	6,261	8,434	66,574
Payables:			
Trade accounts *(Note 16)*	115,698	125,693	1,230,180
Unconsolidated subsidiaries and associated companies *(Note 16)*	3,568	4,566	37,932
Income taxes payable	3,933	2,383	41,816
Accrued expenses	4,785	3,406	50,879
Other current liabilities	18,522	15,663	196,945
Total current liabilities	162,233	173,145	1,724,971
LONG-TERM LIABILITIES:			
Long-term debt *(Notes 8 and 16)*	28,388	12,291	301,840
Liability for retirement benefits *(Note 9)*	6,404	6,239	68,096
Deferred tax liabilities *(Note 12)*	1,810	164	19,243
Deferred tax liabilities on land revaluation difference *(Note 12)*	2,439	2,672	25,930
Asset retirement obligations *(Note 10)*	2,688	2,339	28,584
Other long-term liabilities	13,254	12,112	140,924
Total long-term liabilities	54,983	35,817	584,617
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 2013 and 2012	19,878	19,878	211,352
Capital surplus	18,737	18,737	199,219
Retained earnings	69,106	65,186	734,780
Treasury stock—at cost			
3,888,654 shares in 2013 and 3,888,444 shares in 2012	(1,750)	(1,750)	(18,603)
Accumulated other comprehensive (loss) income:			
Unrealized loss on available-for-sale securities	(104)	(1,031)	(1,107)
Deferred loss on derivatives under hedge accounting	(6)	(4)	(55)
Land revaluation difference *(Note 14)*	(7,778)	(7,627)	(82,703)
Foreign currency translation adjustments	72	20	764
Total	(7,816)	(8,642)	(83,101)
Minority interests	8,376	2,682	89,054
Total equity	106,531	96,091	1,132,701
TOTAL	¥323,747	¥305,053	$3,442,289

Consolidated Statement of Income

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NET SALES	¥1,430,746	¥1,414,161	$15,212,610
COST OF SALES	1,360,691	1,349,557	14,467,741
Gross profit	70,055	64,604	744,869
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES *(Note 13)*	56,329	55,631	598,922
Operating income	13,726	8,973	145,947
OTHER INCOME (EXPENSES):			
Interest and dividend income	282	320	3,002
Interest expense	(549)	(466)	(5,836)
Gain on sales of investment securities—net	10	31	107
Loss on devaluation of investment securities *(Note 4)*	(12)	(418)	(126)
Purchase discounts	323	248	3,435
Sales discounts	(231)	(216)	(2,451)
Equity in (losses) earnings of unconsolidated subsidiaries and associated companies	(28)	116	(300)
Bond issuance cost	(85)		(900)
Foreign exchange losses—net	(1,137)	(84)	(12,092)
Gain on sales of property, plant and equipment	275	349	2,922
Loss on sales and retirement of property, plant and equipment	(1,125)	(358)	(11,966)
Loss on impairment of long-lived assets *(Note 5)*	(712)	(117)	(7,572)
Compensation income for expropriation	130	21	1,386
Losses from a natural disaster		(27)	
Other—net	631	580	6,695
Other expenses—net	(2,228)	(21)	(23,696)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	11,498	8,952	122,251
INCOME TAXES *(Note 12)*:			
Current	5,479	3,596	58,257
Deferred	(475)	985	(5,048)
Total income taxes	5,004	4,581	53,209
NET INCOME BEFORE MINORITY INTERESTS	6,494	4,371	69,042
MINORITY INTERESTS IN NET INCOME	917	478	9,745
NET INCOME	¥ 5,577	¥ 3,893	$ 59,297

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK *(Note 2.q)*:			
Weighted-average number of common shares outstanding *(thousands of shares)*	112,992	113,777	
Basic net income	¥ 49.36	¥ 34.22	$ 0.52
Cash dividends applicable to the year	16.00	16.00	0.17

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NET INCOME BEFORE MINORITY INTERESTS	¥6,494	¥4,371	$69,042
OTHER COMPREHENSIVE INCOME *(Note 20)*:			
Unrealized gain on available-for-sale securities	926	73	9,843
Land revaluation difference		383	
Share of other comprehensive income in associates	51	12	547
Total other comprehensive income	977	468	10,390
COMPREHENSIVE INCOME	¥7,471	¥4,839	$79,432
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥6,554	¥4,361	$69,686
Minority interests	917	478	9,746

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries

Year Ended March 31, 2013

	Thousands	Millions of Yen										
						Accumulated Other Comprehensive (Loss) Income						
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized (Loss) Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Land Revaluation Difference	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity (Deficit)
BALANCE, APRIL 1, 2011	113,843	¥19,878	¥18,737	¥63,796	¥(1,322)	¥(1,104)	¥3	¥(8,236)		¥(9,337)	¥2,371	¥ 94,123
Net income				3,893								3,893
Cash dividends, ¥20.0 per share				(2,277)								(2,277)
Purchase of treasury stock	(850)				(428)							(428)
Land revaluation difference				(226)				226		226		
Net change in the year						73	(7)	383	¥20	469	311	780
BALANCE, MARCH 31, 2012	112,993	19,878	18,737	65,186	(1,750)	(1,031)	(4)	(7,627)	20	(8,642)	2,682	96,091
Net income				5,577								5,577
Cash dividends, ¥16.0 per share				(1,808)								(1,808)
Purchase of treasury stock	(1)				(0)							(0)
Land revaluation difference				151				(151)		(151)		
Net change in the year						927	(2)		52	977	5,694	6,671
BALANCE, MARCH 31, 2013	112,992	¥19,878	¥18,737	¥69,106	¥(1,750)	¥ (104)	¥(6)	¥(7,778)	¥72	¥(7,816)	¥8,376	¥106,531

	Thousands of U.S. Dollars (Note 1)										
					Accumulated Other Comprehensive (Loss) Income						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized (Loss) Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Land Revaluation Difference	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity (Deficit)
BALANCE, MARCH 31, 2012	$211,352	$199,219	$693,102	$(18,602)	$(10,959)	$(38)	$(81,099)	$209	$(91,887)	$28,516	$1,021,700
Net income			59,297								59,297
Cash dividends, $0.17 per share			(19,223)								(19,223)
Purchase of treasury stock				(1)							(1)
Land revaluation difference			1,604				(1,604)		(1,604)		
Net change in the year					9,852	(17)		555	10,390	60,538	70,928
BALANCE, MARCH 31, 2013	$211,352	$199,219	$734,780	$(18,603)	$ (1,107)	$(55)	$(82,703)	$764	$(83,101)	$89,054	$1,132,701

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries

Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 11,498	¥ 8,952	$ 122,251
Adjustments for:			
Income taxes—paid	(3,981)	(4,362)	(42,331)
Depreciation and amortization	8,491	8,342	90,281
Gain on sales of property, plant and equipment	(275)	(349)	(2,922)
Loss on sales and retirement of property, plant and equipment	1,125	358	11,966
Gain on sales of investment securities—net	(10)	(31)	(107)
Compensation income for expropriation	(130)	(21)	(1,386)
Loss on devaluation of investment securities	12	418	126
Loss on impairment of long-lived assets	712	117	7,572
Increase (decrease) in allowance for doubtful accounts	84	(195)	892
(Decrease) increase in liability for retirement benefits	(12)	218	(130)
Equity in losses (earnings) of unconsolidated subsidiaries and associated companies	28	(116)	300
Bond issuance cost	85		900
Losses from a natural disaster		27	
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Decrease (increase) in trade notes and accounts receivable	12,992	(33,341)	138,138
Increase in inventories	(2,146)	(2,515)	(22,817)
Increase in prepaid expenses and other current assets	(2,119)	(1,499)	(22,526)
(Decrease) increase in trade accounts payable	(10,515)	22,559	(111,806)
Increase in other current liabilities	4,688	1,026	49,848
Other—net	1,080	141	11,487
Total adjustments	10,109	(9,223)	107,485
Net cash provided by (used in) operating activities	21,607	(271)	229,736
INVESTING ACTIVITIES:			
Payments for purchases of securities	(1,207)	(1,674)	(12,829)
Proceeds from redemption of securities	1,500	675	15,949
Proceeds from sales of property, plant and equipment	1,389	1,477	14,770
Purchases of property, plant and equipment	(9,184)	(5,938)	(97,647)
Proceeds from sales of investment securities	83	436	880
Purchases of investment securities	(105)	(480)	(1,119)
Proceeds from sales of intangible assets	51	4	547
Purchases of intangible assets	(2,300)	(1,671)	(24,457)
Proceeds from liquidation of subsidiaries and associated companies	312	18	3,321
Purchases of investments in subsidiaries	(9,088)	(457)	(96,630)
Payment for loans—net	(6,545)	(87)	(69,589)
Proceeds from compensation for expropriation	251	22	2,669
Other—net	(205)	771	(2,185)
Net cash used in investing activities	¥(25,048)	¥ (6,904)	$(266,320)

Consolidated Statement of Cash Flows

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
FINANCING ACTIVITIES:			
(Decrease) increase in short-term bank loans—net	¥ (545)	¥ 1,986	$ (5,792)
(Decrease) increase in commercial paper—net	(4,000)	4,000	(42,531)
Proceeds from long-term debt	21,241		225,852
Repayments of long-term debt	(8,822)	(4,529)	(93,796)
Purchase of treasury stock	(0)	(429)	(1)
Dividends paid	(1,940)	(2,420)	(20,627)
Other—net	31		319
Net cash provided by (used in) financing activities	5,965	(1,392)	63,424
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	44	44	464
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,568	(8,523)	27,304
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,313	23,735	162,815
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARIES		101	
CASH AND CASH EQUIVALENTS, END OF YEAR	¥17,881	¥15,313	$190,119
DETAILS FOR PURCHASES OF INVESTMENTS IN SUBSIDIARIES:			
Increase in assets and liabilities due to newly consolidated subsidiaries and net payments for the stock acquisition:			
Current assets	¥ 3,600		$ 38,280
Noncurrent assets	20,924		222,482
Current liabilities	(1,839)		(19,557)
Long-term liabilities	(7,622)		(81,038)
Minority interests	(4,868)		(51,768)
Acquisition cost	10,195		108,399
Cash and cash equivalents from the acquisition	(1,107)		(11,769)
Net payments	¥ 9,088		$ 96,630

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries
Year Ended March 31, 2013

1. BASIS OF PRESENTATION OF 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 the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2012 consolidated financial statements to conform to the classifications used in 2013.

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 ¥94.05 to $1, the approximate rate of exchange at March 31, 2013. 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, 2013, include the accounts of the Company and its 27 (23 in 2012) significant subsidiaries (collectively, the "Group"). Significant consolidated subsidiaries include TOKYO TOSHI SERVICE COMPANY; Enex Fleet Co., Ltd.; Kokura Enterprise Energy Co., Ltd.; 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.

From the year ended March 31, 2013, TOKYO TOSHI SERVICE COMPANY and its group company, Fuchu D.H.C. Co., Ltd., and CEF Konbumori Wind Farm Co., Ltd. were included in the scope of consolidation since the Company acquired their shares. CEF Konbumori Wind Farm Co., Ltd. has changed its name to JEN Konbumori Wind Farm Co., Ltd. In addition, E-NEXT Energy, Inc. was included in the scope of consolidation since the Company had newly invested in it.

Investments in 15 (17 in 2012) unconsolidated subsidiaries and 21 (19 in 2012) 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.

For the year ended March 31, 2013, the Company sold its shares in Kyoei Co., Ltd. and excluded it from the unconsolidated subsidiaries accounted for by the equity method. PASTEC CO., LTD. was excluded from the unconsolidated subsidiaries accounted for by the equity method due to liquidation. Tokyo Heat Energy Co., Ltd., a group company of TOKYO TOSHI SERVICE COMPANY, was included in the associated companies accounted for by the equity method. AOYAMA ENERGY SERVICE CO., LTD. was included in the associated companies accounted for by the equity method since the Company had acquired its shares.

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 being amortized over a period of mainly 5 years.

All consolidated subsidiaries have a March 31 fiscal year end, which is the same as that of the Company, and their fiscal year end financial statements are used for consolidation. The fiscal year end financial statements of companies accounted for under equity method are also used for consolidation even if their fiscal year ends are different from that of the Company.

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 of America 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; and 5) exclusion of minority interests from net income, if contained.

c. Business Combinations

In October 2003, the Business Accounting Council 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 previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development 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. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

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.

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

g. Property, Plant and Equipment and Intangible Assets

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed by the straight-line method over the estimated useful lives of the assets.

The ranges of useful lives are principally from 2 to 50 years for buildings and structures, from 2 to 22 years for machinery and equipment and from 5 to 11 years for vessels. The useful lives for lease assets are the terms of the respective leases.

(Change in depreciation method for property, plant and equipment)

Prior to April 1, 2012, the Group principally adopted the declining-balance method for computing depreciation expenses of property, plant and equipment excluding lease assets. Effective at April 1, 2012, the Group changed its method of depreciation to the straight-line method. The Group changed the method because the Group has been using most of the newly acquired assets stably and it also has become obvious that the use of the existing assets has been stable due to a change in business structure since the Group aspired for a shift to a provider of best-mix energy solutions in the Group Medium-term Business Plan. As a result, compared with the case based on the former method, gross profit increased by ¥426 million ($4,525 thousand) and operating income and income before income taxes and minority interests increased by ¥1,270 million ($13,490 thousand) for the year ended March 31, 2013. See Note 22. SEGMENT INFORMATION for the effect on segment information.

Intangible assets except for goodwill are included in "other assets" under "Investments and other assets" in the consolidated balance sheet. Relationships with customers that were identified at the time of business combination are amortized by the straight-line method over the periods of 12 to 42 years during which the Group expects to provide products and services to the customers. 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. Other intangible assets are amortized by the straight-line method over their estimated useful lives.

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 the amount 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 at the respective fiscal year end. Unrecognized prior service cost is amortized by the straight-line method over a 9-year period, which is within the average remaining years of service of the eligible employees at the time such cost occurs. Unrecognized actuarial gain or loss is primarily amortized using the straight-line method over a 9-year period, which is within the average remaining years of service of the eligible employees in the fiscal year such gain or loss occurs, immediately from the following fiscal year.

l. Asset Retirement Obligations

In March 2008, the ASBJ published 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.

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 was effective for fiscal years beginning on or after April 1, 2008.

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 by recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases that existed at the transition date and 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 that existed at the transition date and 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 statement 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 consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income 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 rates, 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 statement of income 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 flows of hedging instruments and items hedged.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not measured 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.

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 securities outstanding for the years ended March 31, 2013 and 2012.

r. New Accounting Standards Not Yet Adopted by the Group

ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" issued on May 17, 2012 (the "Accounting Standard"), and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits" issued on May 17, 2012 (the "Guidance")

(1) Overview
Under the Accounting Standard, actuarial gains and losses, and past service costs shall be recognized within the equity section of the consolidated balance sheet, after netting of tax effects, and the deficit or surplus shall be recognized as a liability or an asset. Furthermore, as a method of attributing expected benefit to periods, the benefit formula basis is allowed to be applied in addition to the straight-line basis, and the method to determine the discount rate is amended.

(2) Date of application
The Group will adopt the Accounting Standard and Guidance from the fiscal year ending March 31, 2014, except for the amendment relating to the method of attributing expected benefit to periods that will be applied from the beginning of the fiscal year ending March 31, 2015. The Accounting Standard and Guidance will not be applied retrospectively to financial statements in prior periods as there are transitional provisions in the Accounting Standard and Guidance.

(3) Effect of application
The effects of applying the Accounting Standard and Guidance on the consolidated financial statements are currently under evaluation.

3. BUSINESS COMBINATION

Business combination through acquisition

(1) Outline of business combination

(a) Name and business of the acquired company

Company name: TOKYO TOSHI SERVICE COMPANY

Business description: Heat supply business, heat storage service contract operation, contract operation of heat supply facilities, and energy-related consulting business

(b) Primary reasons for business combination
To pursue synergy effects with the existing businesses as a provider of best-mix energy solutions to satisfy customers' needs, having an electric power-related business and a heat supply business in addition to the petroleum product sales business, which is the Company's core business.

(c) Date of business combination
May 22, 2012

(d) Legal form of business combination
Acquisition of shares

(e) Company name after business combination
TOKYO TOSHI SERVICE COMPANY

(f) Percentage of voting rights acquired
66.6%

(g) Grounds for determining the acquiring company
The Company acquired shares in the acquired company with cash consideration.

(2) Period of the acquired company's financial results included in the consolidated financial statements

Since the acquisition date was deemed as June 30, 2012, the consolidated financial statement for the year ended March 31, 2013, includes the acquired company's financial results from July 1, 2012 to March 31, 2013.

(3) Acquisition cost for the acquired company and its break down

		Millions of Yen
Consideration paid for the acquisition:	Cash	¥9,618
Expenses directly incurred for the acquisition:	Advisory fee and other	111
Acquisition cost:		¥9,729

(4) Amount, cause, and method and period of amortization of goodwill

Goodwill and negative goodwill did not arise from the business combination.

(5) Amounts of assets acquired and liabilities assumed on the day of business combination

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 3,334	$ 35,448
Noncurrent assets	18,634	198,126
Total assets	¥21,968	$233,574
Current liabilities	¥ (1,265)	$ (13,449)
Long-term liabilities	(6,105)	(64,911)
Total liabilities	¥ (7,370)	$ (78,360)

(6) Estimated amount of effect on the consolidated statement of income for the year ended March 31, 2013, assuming that the business combination was completed on April 1, 2012

The estimated amount of effect is not disclosed due to immateriality.

The above is not audited.

4. INVESTMENT SECURITIES

Investment securities as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Current:			
Marketable debt securities	¥ 703	¥ 999	$ 7,473
Total	¥ 703	¥ 999	$ 7,473
Noncurrent:			
Equity securities:			
Marketable equity securities	¥8,137	¥6,699	$86,522
Other	391	462	4,158
Total	¥8,528	¥7,161	$90,680

The cost and aggregate fair values of investment securities at March 31, 2013 and 2012, were as follows:

	Millions of Yen			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥8,295	¥1,324	¥1,482	¥8,137
Debt securities	707		4	703

	Millions of Yen			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥8,298	¥443	¥2,042	¥6,699
Debt securities	1,000		1	999

	Thousands of U.S. Dollars			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$88,199	$14,073	$15,750	$86,522
Debt securities	7,517		44	7,473

The information for available-for-sale securities that were sold during the years ended March 31, 2013 and 2012, was as follows:

	Millions of Yen		
March 31, 2013	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥83	¥12	¥2
Total	¥83	¥12	¥2

	Millions of Yen		
March 31, 2012	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥436	¥42	¥11
Total	¥436	¥42	¥11

	Thousands of U.S. Dollars		
March 31, 2013	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$880	$130	$22
Total	$880	$130	$22

The loss on devaluation of investment securities for the years ended March 31, 2013 and 2012, were ¥12 million ($126 thousand) and ¥418 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, 2013 and 2012, the book values of long-lived assets were written down to their respective recoverable amounts by ¥712 million ($7,572 thousand) and ¥117 million, respectively. The amount for the year ended March 31, 2013, consisted of ¥243 million ($2,585 thousand) for buildings and structures, ¥431 million ($4,586 thousand) for land, and ¥38 million ($401 thousand) for machinery and equipment. The amount for the year ended March 31, 2012, consisted of ¥63 million for buildings and structures, ¥53 million for land, and ¥1 million for machinery and equipment.

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 Agency.

6. GOODWILL

Goodwill at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Goodwill:			
Goodwill on purchase of a specific business, etc.	¥2,426	¥1,939	$25,793
Consolidation goodwill	783	1,492	8,329
Total	¥3,209	¥3,431	$34,122

Goodwill at March 31, 2013, represents goodwill of ¥3,229 million ($34,340 thousand) net of negative goodwill of ¥20 million ($218 thousand). Goodwill at March 31, 2012, represents goodwill of ¥3,461 million net of negative goodwill of ¥30 million.

7. INVESTMENT PROPERTY

The Company and its consolidated subsidiaries own petroleum-related facilities, such as tank farms, gas stations, and liquefied petroleum gas ("LPG") stations, 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 ¥1,950 million ($20,738 thousand) and ¥934 million for the years ended March 31, 2013 and 2012, respectively. Net gain or loss on sales recorded in other income or other expenses was ¥(68) million ($(719) thousand) and ¥140 million for the years ended March 31, 2013 and 2012, respectively. Impairment loss recorded in other expenses was ¥712 million ($7,572 thousand) and ¥117 million for the years ended March 31, 2013 and 2012, respectively, as discussed in Note 5.

The carrying amounts, changes in such balances, and fair values of such properties were as follows:

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2012	Increase/ (Decrease)	March 31, 2013	March 31, 2013
¥23,314	¥1,595	¥24,909	¥20,251

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2011	Increase/ (Decrease)	March 31, 2012	March 31, 2012
¥24,920	¥(1,606)	¥23,314	¥18,875

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
April 1, 2012	Increase/ (Decrease)	March 31, 2013	March 31, 2013
$247,888	$16,955	$264,843	$215,322

Notes:

1) Carrying amounts recognized in consolidated balance sheets are net of accumulated depreciation and accumulated impairment losses, if any.

2) Fair values of properties as of March 31, 2013 and 2012, are measured by the Company in accordance with its Real Estate Appraisal Standards (including properties adjusted by index).

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

Short-term bank loans at March 31, 2013 and 2012, consisted of bank overdrafts. The weighted-average interest rates applicable to short-term bank loans as of March 31, 2013 and 2012, were 0.552% and 0.657%, respectively. The Company issued commercial paper for the year ended March 31, 2012, and there was no balance as of March 31, 2013.

Long-term debt at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Long-term borrowings from banks and insurance companies due through 2018 at average interest rate of 0.659% in 2013 and due though 2020 at average interest rate of 1.391% in 2012	¥ 6,376	¥ 7,684	$ 67,795
Lease obligation	3,273	3,041	34,805
Unsecured 0.580% corporate bonds due through July 2013	5,000	5,000	53,163
Unsecured 0.790% corporate bonds due through July 2015	5,000	5,000	53,163
Unsecured 0.736% corporate bonds due through May 2019	5,000		53,163
Unsecured 1.202% corporate bonds due through May 2022	10,000		106,326
Total	34,649	20,725	368,415
Less current portion:			
Long-term borrowings	(129)	(7,350)	(1,374)
Lease obligation	(1,132)	(1,084)	(12,038)
Unsecured corporate bonds	(5,000)		(53,163)
Long-term debt, less current portion	¥28,388	¥12,291	$301,840

Annual maturities of long-term debt at March 31, 2013, were as follows:

	Long-term Borrowings		Corporate Bonds		Lease Obligation	
Year 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
2014	¥ 129	$ 1,374	¥ 5,000	$ 53,163	¥1,132	$12,038
2015	65	694			808	8,586
2016	65	694	5,000	53,163	573	6,091
2017	565	6,010			441	4,691
2018	5,552	59,023			243	2,579
2019 and thereafter			15,000	159,489	76	820
Total	¥6,376	$67,795	¥25,000	$265,815	¥3,273	$34,805

The carrying amounts of assets pledged as collateral for trade accounts payable of ¥211 million ($2,244 thousand) and ¥226 million at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Investment securities	¥6	¥6	$68
Total	¥6	¥6	$68

In addition, investment securities of ¥1,229 million ($13,062 thousand) and ¥1,140 million were deposited as guarantees for commodity futures trading at March 31, 2013 and 2012, respectively.

The Company entered into commitment line contracts with banks. Outstanding bank commitment lines contracted, but not provided for, as of March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Credit facilities	¥5,000	¥5,000	$53,163
Used			
Unused	¥5,000	¥5,000	$53,163

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 lump-sum retirement plans, defined benefit pension plans, and defined contribution 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, 2013 and 2012, for the Group defined benefit plans:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Retirement benefit obligation	¥(7,481)	¥(7,079)	$(79,547)
Plan assets at fair value	736	569	7,822
Unrecognized actuarial loss	310	233	3,296
Unrecognized prior service cost	31	38	333
Net liability	¥(6,404)	¥(6,239)	$(68,096)

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

The components of net periodic benefit costs were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Service cost	¥489	¥503	$5,201
Interest cost	78	78	828
Recognition of actuarial loss	22	23	234
Amortization of prior service cost	6	244	67
Net periodic benefit costs	¥595	¥848	$6,330

In addition, the Group recorded expenses related to defined contribution pension plans of ¥443 million ($4,706 thousand) for the year ended March 31, 2013, and ¥434 million for the year ended March 31, 2012, in retirement benefit expenses. The Group paid additional retirement benefits of ¥83 million ($881 thousand) for the year ended March 31, 2013, and ¥63 million for the year ended March 31, 2012. These were recorded in selling, general, and administrative expenses.

Retirement benefit expenses of certain consolidated subsidiaries that apply the simplified method are recorded in "Service cost."

Assumptions for the years ended March 31, 2013 and 2012, are set forth as follows:

	2013	2012
Discount rate	0.7 to 1.6%	1.6%
Expected rate of return on plan assets	0.0 to 2.5%	0.0%
Amortization period of prior service cost	9 years	9 years
Recognition period of actuarial loss	9 years	9 years

Note: A discount rate of 1.6% was used at the beginning of the year ended March 31, 2013. However, as a result of a review of the discount rate at the end of the year ended March 31, 2013, two consolidated subsidiaries determined that a change in the discount rate affects the amount of retirement benefit obligation and changed it to 0.7 to 1.6%.

10. ASSET RETIREMENT OBLIGATIONS

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

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

	2013	2012
Expected useful life	34 years	34 years
Discount rate	2.4%	2.4%

(2) Changes in gross asset retirement obligations

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Balance at beginning of year	¥2,356	¥2,255	$25,050
Additional provision associated with the acquisition of property, plant and equipment	199	31	2,118
Reconciliation associated with passage of time	55	53	590
Reduction associated with settlement of asset retirement obligations	(43)	(56)	(463)
Other changes	122	73	1,298
Balance at end of year	¥2,689	¥2,356	$28,593

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:

(1) 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 (i) having a Board of Directors, (ii) having independent auditors, (iii) having an Audit & Supervisory Board, and (iv) 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 (noncash 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.

(2) Increases/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.

(3) 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 rates of approximately 38.0% and 40.7% for the years ended March 31, 2013 and 2012, respectively.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Deferred tax assets:			
Enterprise tax payable	¥ 324	¥ 180	$ 3,444
Accounts payable—other	184	155	1,959
Allowance for doubtful accounts	82	136	876
Accrued bonuses to employees	1,243	1,029	13,216
Tax loss carryforwards	143	170	1,519
Liability for retirement benefits	2,296	2,236	24,415
Long-term accounts payable—other	60	87	637
Loss on devaluation of investment securities	435	245	4,623
Loss on impairment of long-lived assets	893	234	9,492
Excess depreciation	399	274	4,240
Asset retirement obligations	951	803	10,116
Unrealized loss on available-for-sale securities	56	569	591
Asset adjustment related to business combination	27	157	289
Elimination of internal profit in consolidation	324	356	3,444
Other	464	397	4,937
Less valuation allowance	(1,440)	(1,066)	(15,307)
Total	¥ 6,441	¥ 5,962	$ 68,491
Deferred tax liabilities:			
Intangible assets	¥(1,647)		$(17,512)
Asset retirement obligations	(410)	¥ (364)	(4,361)
Reserve for special depreciation	(1,159)	(1,075)	(12,326)
Other	(255)	(278)	(2,712)
Total	¥(3,471)	¥(1,717)	$(36,911)
Net deferred tax assets	¥ 2,970	¥ 4,245	$ 31,580

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Deferred tax assets on land revaluation difference	¥ 4,340	¥ 4,436	$ 46,141
Less valuation allowance	(4,340)	(4,436)	(46,141)
Deferred tax liabilities on land revaluation difference	(2,439)	(2,672)	(25,930)
Deferred tax liabilities on land revaluation difference—net	¥(2,439)	¥(2,672)	$(25,930)

Reconciliations between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2013 and 2012, were as follows:

	2013	2012
Normal effective statutory tax rate	38.0%	40.7%
Expenses not deductible for income tax purposes	3.5	4.3
Per capita inhabitants tax	1.2	1.5
Adjustment to deferred tax assets due to changes in tax rate		3.7
Other—net	0.8	1.0
Actual effective tax rate	43.5%	51.2%

At March 31, 2013, certain subsidiaries have tax loss carryforwards aggregating approximately ¥349 million ($3,715 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
2014		
2015		
2016	¥ 41	$ 431
2017	88	936
2018	33	352
2019 and thereafter	187	1,996
Total	¥349	$3,715

13. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

The main components of selling, general, and administrative expenses for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Payroll	¥18,131	¥17,894	$192,777
Provision of accrued bonuses to employees	2,870	2,595	30,514
Provision of accrued bonuses to directors and audit & supervisory board members	394	288	4,194
Rent	9,504	9,481	101,052
Depreciation and amortization	1,946	2,267	20,694
Amortization of goodwill	1,717	1,729	18,261
Provision of allowance for doubtful accounts	84	(195)	892
Retirement benefit expenses	¥ 1,024	¥ 1,265	$ 10,887

14. LAND REVALUATION DIFFERENCE

Under the Act on Revaluation of Land, 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 statement 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, 2013, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥6,933 million ($73,721 thousand), of which ¥3,158 million ($33,577 thousand) is relating to the land classified as investment property.

15. LEASES

(Finance lease—Lessee)

The Group leases certain machinery mainly for petroleum product sales, computer equipment, and other assets. Total rental expenses, including lease payments under finance leases for the years ended March 31, 2013 and 2012, were ¥188 million ($1,995 thousand) and ¥481 million, respectively.

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008, to 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						
	2013			2012			
	Machinery and Equipment	Intangible Assets	Total	Buildings and Structures	Machinery and Equipment	Intangible Assets	Total
Acquisition cost	¥615	¥17	¥632	¥31	¥2,367	¥139	¥2,537
Accumulated depreciation	606	16	622	31	2,299	124	2,454
Net leased property	¥ 9	¥ 1	¥ 10		¥ 68	¥ 15	¥ 83

	Thousands of U.S. Dollars		
	2013		
	Machinery and Equipment	Intangible Assets	Total
Acquisition cost	$6,539	$179	$6,718
Accumulated depreciation	6,445	168	6,613
Net leased property	$ 94	$ 11	$ 105

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Due within one year	¥18	¥187	$189
Due after one year	5	22	52
Total	¥23	¥209	$241

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Depreciation expense	¥ 68	¥208	$ 725
Interest expense	1	8	16
Total	¥ 69	¥216	$ 741
Lease payments	¥188	¥481	$1,995

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 31, 2013 and 2012, were ¥18 million ($187 thousand) and ¥69 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 a 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, receivables under finance leases, depreciation expense, and interest income on an "as if capitalized" basis, for the years ended March 31, 2013 and 2012, was as follows:

	Millions of Yen			
	2013		2012	
	Machinery and Equipment	Total	Machinery and Equipment	Total
Acquisition cost	¥154	¥154	¥467	¥467
Accumulated depreciation	152	152	459	459
Net leased property	¥ 2	¥ 2	¥ 8	¥ 8

	Thousands of U.S. Dollars	
	2013	
	Machinery and Equipment	Total
Acquisition cost	$1,640	$1,640
Accumulated depreciation	1,615	1,615
Net leased property	$ 25	$ 25

Receivables under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Due within one year	¥2	¥18	$21
Due after one year		2	
Total	¥2	¥20	$21

Depreciation expense and interest income under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Depreciation expense	¥5	¥22	$51
Interest income			1

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 payments under noncancelable operating leases at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Due within one year	¥1,551	¥1,232	$16,492
Due after one year	1,756	1,607	18,668
Total	¥3,307	¥2,839	$35,160

(Operating lease—Lessor)

The minimum rental payments to be received under noncancelable operating leases at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Due within one year	¥558	¥ 488	$5,931
Due after one year	276	729	2,941
Total	¥834	¥1,217	$8,872

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(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 fluctuations in market prices, interest rates, and foreign exchange rates and does not use derivative transactions for trading or speculative purposes.

(2) Nature and extent of risks arising from financial instruments

Operating receivables such as trade notes and trade accounts receivable are exposed to customer credit risk. Operating payables such as trade accounts payable are all 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 and other contracts to hedge the foreign currency fluctuation risk. Investment securities mainly consist of equity securities and are exposed to market price fluctuation risk. These are mainly securities of companies with which the Company has business relationships, and the Group reviews the fair values of such securities quarterly. Short-term borrowings including commercial paper are mainly used to finance operating capital, and long-term debt including bonds payable is mainly used to finance capital investments. Long-term variable interest rate debt is exposed to interest rate fluctuation risk. The Group utilizes a derivative transaction, such as interest rate swap contracts as a hedging instrument for each contract to hedge the fluctuation risk in interest payments and fix interest expenses. Evaluation of hedge effectiveness of the interest rate swaps is omitted for the interest rate swaps meeting requirements for the exceptional treatment. The Company and some companies in the Group utilize petroleum products futures that are exposed to market price fluctuation risk. Interest rate swap contracts are exposed to interest rate fluctuation risk, and foreign currency forward contracts are exposed to foreign currency fluctuation risk.

(3) Risk management for financial instruments

Credit risk management (risk of default by customers)

For operating receivables and long-term loans, the Group follows internal rules and monitors the major customers' credit conditions periodically and manages the due dates and balances for each customer. The Group enters into derivative transactions only with counterparties, including highly rated financial institutions to mitigate credit risk, and the Group has concluded 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 payments of variable interest rate debt. The Company and some companies in the Group utilize foreign currency forward contracts to mitigate foreign currency fluctuation risk associated with receivables and payables denominated in foreign currencies. Regarding the investment securities, the Group regularly reviews the fair values and issuers' financial conditions. For the execution and management of derivative transactions, in accordance with internal rules that prescribe the authority and the limits in dealing, the transactions authorized are strictly managed and reported in the dealing department, as well as the dealing status is reported to and reviewed by the administration department for segregation of duties.

Liquidity risk management (risk of default at due dates)

Each company in the Group maintains the necessary amount on hand and manages liquidity risk by methods, including preparing a cash management plan monthly.

(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		
	2013		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 17,881	¥ 17,881	
Trade notes and trade accounts receivable	139,140	139,140	
Receivables from unconsolidated subsidiaries and associated companies	810	810	
Investment securities	8,137	8,137	
Long-term loans	1,142	1,157	¥15
Total	¥167,110	¥167,125	¥15
Short-term bank loans	¥ 9,466	¥ 9,466	
Trade accounts payable	115,698	115,698	
Payables to unconsolidated subsidiaries and associated companies	3,568	3,568	
Long-term debt	34,649	35,119	¥470
Total	¥163,381	¥163,851	¥470

	Millions of Yen		
	2012		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 15,313	¥ 15,313	
Trade notes and trade accounts receivable	149,705	149,705	
Receivables from unconsolidated subsidiaries and associated companies	1,833	1,833	
Investment securities	6,699	6,699	
Long-term loans	1,611	1,623	¥12
Total	¥175,161	¥175,173	¥12
Short-term bank loans	¥ 9,000	¥ 9,000	
Commercial paper	4,000	4,000	
Trade accounts payable	125,693	125,693	
Payables to unconsolidated subsidiaries and associated companies	4,566	4,566	
Long-term debt	20,725	20,728	¥3
Total	¥163,984	¥163,987	¥3

	Thousands of U.S. Dollars		
	2013		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 190,119	$ 190,119	
Trade notes and trade accounts receivable	1,479,429	1,479,429	
Receivables from unconsolidated subsidiaries and associated companies	8,612	8,612	
Investment securities	86,522	86,522	
Long-term loans	12,135	12,303	$ 168
Total	$1,776,817	$1,776,985	$ 168
Short-term bank loans	$ 100,645	$ 100,645	
Trade accounts payable	1,230,180	1,230,180	
Payables to unconsolidated subsidiaries and associated companies	37,932	37,932	
Long-term debt	368,415	373,411	$4,996
Total	$1,737,172	$1,742,168	$4,996

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 receivables from unconsolidated subsidiaries and associated companies

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

Investment securities

The fair value of equity securities is based on the price on stock exchanges and that of debt securities 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 term, and the fair values are calculated by discounting the related future cash flows at the rate which would be applied if a new loan were offered at the fiscal year end. The amounts in the above tables include the current portion of long-term loans of ¥178 million ($1,885 thousand) and ¥444 million as of March 31, 2013 and 2012, respectively.

Short-term bank loans

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 accounts payable and payables to 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.

Long-term debt

The fair value of long-term borrowings is calculated by discounting the sum of principal and interest at the rate to be applied to a similar new borrowing. The amounts in the above tables include the current portion of long-term debt of ¥6,261 million ($66,575 thousand) and ¥8,434 million as of March 31, 2013 and 2012, respectively.

Derivatives

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

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

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Investments in equity securities that do not have a quoted market price in an active market	¥ 391	¥ 462	$ 4,158
Investments in equity securities of subsidiaries that do not have a quoted market price in an active market	1,225	1,436	13,021
Investments in equity securities of associated companies that do not have a quoted market price in an active market	5,516	5,194	58,654
Total	¥7,132	¥7,092	$75,833

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

	Millions of Yen			
March 31, 2013	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 17,881			
Trade notes and trade accounts receivable	139,140			
Receivables from unconsolidated subsidiaries and associated companies	810			
Long-term loans	178	¥602	¥291	¥71
Total	¥158,009	¥602	¥291	¥71

	Millions of Yen			
March 31, 2012	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 15,313			
Trade notes and trade accounts receivable	149,705			
Receivables from unconsolidated subsidiaries and associated companies	1,833			
Long-term loans	444	¥773	¥305	¥89
Total	¥167,295	¥773	¥305	¥89

	Thousands of U.S. Dollars			
March 31, 2013	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 190,119			
Trade notes and trade accounts receivable	1,479,429			
Receivables from unconsolidated subsidiaries and associated companies	8,612			
Long-term loans	1,885	$6,405	$3,090	$755
Total	$1,680,045	$6,405	$3,090	$755

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

17. DERIVATIVES

The Company and some companies in the Group enter into derivative transactions, including petroleum products futures to hedge petroleum market risk, interest rate swap contracts to manage its interest rate exposures on certain liabilities, and foreign currency forward contracts to hedge the risk in assets and liabilities exposed to foreign currency fluctuation risk. The Company does not use derivative transactions for trading or speculative purposes. The petroleum products futures are exposed to market risk of potential fluctuations in market conditions. Interest rate swaps are exposed to risks of potential interest rate fluctuations, and foreign currency forward contracts are exposed to risks of potential foreign currency fluctuations. Because the counterparties to these derivative transactions are limited to highly rated members of a petroleum exchange and domestic financial institutions, the Company does not anticipate any losses arising from credit risk.

For the execution and management of derivative transactions, in accordance with internal rules that prescribe the authority and the limits in dealing, the transactions authorized are strictly managed and reported in the dealing department, as well as the dealing status is reported to and reviewed by the administration department for segregation of duties.

Derivative transactions to which hedge accounting is not applied at March 31, 2013 and 2012

	Millions of Yen			
At March 31, 2013	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/(Loss)
Foreign currency forward contracts:				
Buying U.S.$	¥ 4,785		¥ 107	¥ 107
Selling U.S.$	1,444		(61)	(61)
Other:				
Buying	28,780		1,205	1,205
Selling	31,450		(825)	(825)

	Millions of Yen			
At March 31, 2012	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/(Loss)
Foreign currency forward contracts:				
Buying U.S.$	¥ 5,485		¥ 125	¥ 125
Selling U.S.$	431		(14)	(14)
Other:				
Buying	15,885		664	664
Selling	20,574		(1,301)	(1,301)

	Thousands of U.S. Dollars			
At March 31, 2013	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/(Loss)
Foreign currency forward contracts:				
Buying U.S.$	$ 50,877		$ 1,135	$ 1,135
Selling U.S.$	15,354		(649)	(649)
Other:				
Buying	306,007		12,811	12,811
Selling	334,401		(8,774)	(8,774)

Derivative transactions to which hedge accounting is applied at March 31, 2013 and 2012.

Derivatives related to foreign currencies were not disclosed as the amounts were immaterial for the years ended March 31, 2013 and 2012.

There were no derivative transactions related to interest rates for the year ended March 31, 2013.

	Millions of Yen			
At March 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps:				
(fixed-rate payment, floating-rate receipt)	Long-term debt	¥ 4,000		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.

The fair value of derivative transactions is measured at the quoted price obtained from the counterparty financial institutions or the futures quotation and quoted price obtained from the counterparties.

The contract amounts of derivative transactions which are shown in the above tables 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, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
ITOCHU Corporation, shareholder:			
Sales	¥ 8,387	¥13,292	$ 89,175
Purchases	9,122	24,884	96,987
Trade notes and trade accounts receivable	363	2,492	3,859
Trade accounts payable		2,702	
Japan Gas Energy Corporation, associated company:			
Purchases	¥29,265	¥27,382	$311,168
Trade accounts payable	3,217	3,527	34,205

19. CONTINGENT LIABILITIES

At March 31, 2013 and 2012, the Group had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Guarantees of bank loan by Altoss Co., Ltd.	¥60	¥90	$638
Guarantees of lease debt of Iinuma Sekiyu and 6 and 12 other companies in 2013 and 2012, respectively	6	19	68
Guarantees of business transactions for Chikukyo Shoji K.K.	85		908
Guarantees of gas oil delivery tax payment by Seiban Sekiyu Co., Ltd.	1		14
Securitization of trade notes receivable	61	64	652
Securitization of trade accounts receivable	92	71	977

20. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥1,448	¥ (81)	$15,400
Reclassification adjustments to profit or loss	(11)	342	(116)
Amount before income tax effect	1,437	261	15,284
Income tax effect	(511)	(188)	(5,441)
Total	¥ 926	¥ 73	$ 9,843
Land revaluation difference:			
Income tax effect		¥383	
Total		¥383	
Share of other comprehensive income in associates:			
Gains arising during the year	¥ 51	¥ 12	$ 547
Reclassification adjustments to profit or loss		(0)	
Total	¥ 51	¥ 12	$ 547
Total other comprehensive income	¥ 977	¥468	$10,390

21. SUBSEQUENT EVENTS

Appropriations of retained earnings

The following appropriation of retained earnings at March 31, 2013, was approved at the Company's shareholders' meeting held on June 20, 2013:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥8 ($0.09) per share	¥ 904	$ 9,611

22. SEGMENT INFORMATION

(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 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 the customers and markets, and operates its business.

Therefore, each business division is considered as a reportable segment. The Group consists of five segments: "Industrial Material," "Car-Life," "Global Trade," "Home-Life," and "Total-Life."

Industrial Material

mainly consists of energy and material supplies for industry, high-pressure gas productions and sales, sales of asphalt, cement, liquefied natural gas ("LNG"), high-rank urea aqueous solution (AdBlue), and electric power and steam, and heat supplies.

Car-Life

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

Global 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, and development and implementation of overseas projects.

Home-Life

consists of sales of goods and services relating to family lives such as LPG, equipment (combustion, kitchen, air-conditioning, and household equipment), commodities, catalogue merchandise, sundries, and alternative energy equipment (fuel cell, photovoltaic power generation, etc.) for households.

Total-Life

consists of sales of alternative energy equipment, double power generation systems, automobiles, automobile supplies and electric motorcycles, services for vehicles, such as development of electric vehicle ("EV") and related business, car inspection, maintenance, sheet-metal processing and car rental, and services for housing, including sales of residential lithium-ion power storage systems and renovation.

(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. Profit by reportable segment is based on operating income. Intersegment sales and transfers are based on prevailing market price.

(Change in depreciation method for property, plant and equipment)

As described in Note 2.g above, the Group changed its depreciation method for property, plant and equipment, excluding lease assets to the straight-line method effective for the year ended March 31, 2013. As a result, compared with the case based on the traditional method, segment profit for the year ended March 31, 2013, increased by ¥153 million ($1,622 thousand) for "Industrial Material," ¥661 million ($7,024 thousand) for "Car-Life," ¥96 million ($1,018 thousand) for "Global Trade," and ¥316 million ($3,361 thousand) for "Home-Life," and segment loss decreased by ¥12 million ($127 thousand) for "Total-Life" and ¥32 million ($338 thousand) for corporate expenses of "Reconciliations."

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

	Millions of Yen									
	2013									
	Reportable Segment									
	Industrial Material	Car-Life	Global Trade	Home-Life	Total-Life	Total	Other	Total	Reconciliations	Consolidated
Sales:										
Sales to external customers	¥184,909	¥547,798	¥591,918	¥101,585	¥3,607	¥1,429,817	¥ 929	¥1,430,746		¥1,430,746
Intersegment sales or transfers	7,584	36,285	22,013		4,459	70,341	1,898	72,239	¥(72,239)	
Total	¥192,493	¥584,083	¥613,931	¥101,585	¥8,066	¥1,500,158	¥2,827	¥1,502,985	¥(72,239)	¥1,430,746
Segment profit (loss)	¥ 4,769	¥ 4,652	¥ 2,075	¥ 4,468	¥ (529)	¥ 15,435	¥ 55	¥ 15,490	¥ (1,764)	¥ 13,726
Segment assets	74,013	108,213	68,006	52,650	2,344	305,226	666	305,892	17,855	323,747
Other:										
Depreciation and amortization	2,385	2,380	199	1,148	43	6,155	3	6,158	616	6,774
Amortization of goodwill	148	832	37	790		1,807		1,807	(90)	1,717
Equity in (losses) earnings of unconsolidated subsidiaries and associated companies	(327)	21	(17)	290	(1)	(34)		(34)	6	(28)
Investments in unconsolidated subsidiaries and associated companies	1,732	135	517	4,058	97	6,539		6,539	26	6,565
Increase in property, plant and equipment and intangible assets	3,570	3,946	752	2,590	40	10,898	8	10,906	577	11,483

	Millions of Yen									
	2012									
	Reportable Segment									
	Industrial Material	Car-Life	Global Trade	Home-Life	Total-Life	Total	Other	Total	Reconciliations	Consolidated
Sales:										
Sales to external customers	¥146,781	¥562,620	¥603,832	¥96,427	¥2,959	¥1,412,619	¥1,542	¥1,414,161		¥1,414,161
Intersegment sales or transfers	4,852	51,583	27,262	5	2,899	86,601	2,045	88,646	¥(88,646)	
Total	¥151,633	¥614,203	¥631,094	¥96,432	¥5,858	¥1,499,220	¥3,587	¥1,502,807	¥(88,646)	¥1,414,161
Segment profit (loss)	¥ 2,077	¥ 5,052	¥ 1,105	¥ 3,724	¥ (885)	¥ 11,073	¥ 38	¥ 11,111	¥ (2,138)	¥ 8,973
Segment assets	45,472	117,786	71,762	51,762	1,377	288,159	925	289,084	15,969	305,053
Other:										
Depreciation and amortization	884	3,340	320	1,433	52	6,029	4	6,033	580	6,613
Amortization of goodwill	153	832	123	711		1,819		1,819	(90)	1,729
Equity in (losses) earnings of unconsolidated subsidiaries and associated companies	(86)	17	35	145	(1)	110		110	6	116
Investments in unconsolidated subsidiaries and associated companies	1,581	114	482	4,143	100	6,420		6,420	20	6,440
Increase in property, plant and equipment and intangible assets	3,385	1,901	195	1,274	56	6,811		6,811	798	7,609

	Thousands of U.S. Dollars									
	2013									
	Reportable Segment									
	Industrial Material	Car-Life	Global Trade	Home-Life	Total-Life	Total	Other	Total	Reconciliations	Consolidated
Sales:										
Sales to external customers	$1,966,069	$5,824,544	$6,293,650	$1,080,125	$38,350	$15,202,738	$ 9,872	$15,212,610		$15,212,610
Intersegment sales or transfers	80,639	385,804	234,059		47,408	747,910	20,183	768,093	$(768,093)	
Total	$2,046,708	$6,210,348	$6,527,709	$1,080,125	$85,758	$15,950,648	$30,055	$15,980,703	$(768,093)	$15,212,610
Segment profit (loss)	$ 50,706	$ 49,463	$ 22,065	$ 47,502	$ (5,626)	$ 164,110	$ 590	$ 164,700	$ (18,753)	$ 145,947
Segment assets	786,954	1,150,588	723,085	559,807	24,925	3,245,359	7,084	3,252,443	189,846	3,442,289
Other:										
Depreciation and amortization	25,362	25,301	2,121	12,208	455	65,447	37	65,484	6,536	72,020
Amortization of goodwill	1,577	8,846	391	8,403		19,217		19,217	(956)	18,261
Equity in (losses) earnings of unconsolidated subsidiaries and associated companies	(3,476)	226	(183)	3,084	(11)	(360)		(360)	60	(300)
Investments in unconsolidated subsidiaries and associated companies	18,416	1,436	5,493	43,155	1,028	69,528		69,528	272	69,800
Increase in property, plant and equipment and intangible assets	37,960	41,964	7,991	27,539	426	115,880	89	115,969	6,135	122,104

Notes:

1. "Other" is a business segment not included in reportable segments, such as commissioned business for the administrative work.
2. Total corporate expenses included in "Reconciliations" for "Segment profit," which were not allocated to reportable segments, for the years ended March 31, 2013 and 2012, were ¥(1,764) million ($(18,753) thousand) and ¥(2,138) million, respectively. Total corporate expenses principally consist of general and administrative expenses, which are not attributable to any reportable segment.
3. Total corporate assets included in "Reconciliations" for "Segment assets," which were not allocated to reportable segments, as of March 31, 2013 and 2012, were ¥17,855 million ($189,846 thousand) and ¥15,969 million, respectively. Total corporate assets principally consist of cash and cash equivalents, which cannot be allocated to any reportable segment.
4. Segment profit (loss) is adjusted for operating income in the accompanying consolidated statements of income.

(4) Information by product and service

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

(5) Information by geographical area

(a) Sales

Sales information by geographical area is not presented since sales in Japan accounted for more than 90% of consolidated net sales.

(b) Property, plant and equipment

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

(6) Information by major customer

Information by major customer is not presented since sales to a single external customer did not account for 10% or more of consolidated net sales.

(7) Information about loss on impairment of long-lived assets by reportable segment

	Industrial Material	Car-Life	Global Trade	Home-Life	Total-Life	Other	Elimination/ Corporate	Total
Millions of Yen 2013								
Impairment loss	¥119	¥72	¥146	¥56			¥319	¥712
Millions of Yen 2012								
Impairment loss		¥104		¥13				¥117
Thousands of U.S. Dollars 2013								
Impairment loss	$1,267	$762	$1,551	$596			$3,396	$7,572

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

	Industrial Material	Car-Life	Global Trade	Home-Life	Total-Life	Other	Elimination/ Corporate	Total
Millions of Yen 2013								
Amortization	¥148	¥842	¥37	¥ 790			¥(90)	¥1,727
Unamortized balance	428	905	44	1,885			(33)	3,229
Millions of Yen 2012								
Amortization	¥153	¥ 842	¥123	¥ 711			¥ (90)	¥1,739
Unamortized balance	577	1,339	81	1,588			(124)	3,461
Thousands of U.S. Dollars 2013								
Amortization	$1,577	$8,955	$391	$ 8,402			$(955)	$18,370
Unamortized balance	4,553	9,618	472	20,048			(351)	34,340

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

	Industrial Material	Car-Life	Global Trade	Home-Life	Total-Life	Other	Elimination/ Corporate	Total
Millions of Yen 2013								
Amortization		¥10						¥10
Unamortized balance		20						20
Millions of Yen 2012								
Amortization		¥10						¥10
Unamortized balance		30						30
Thousands of U.S. Dollars 2013								
Amortization		$109						$109
Unamortized balance		218						218

Independent Auditor's Report

Deloitte Touche Tohmatsu LLC
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel:+81 (3) 3457 7321
Fax:+81 (3) 3457 1694
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of ITOCHU ENEX CO., LTD. and its consolidated subsidiaries (the "Group") as of March 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 its consolidated subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 2.g to the consolidated financial statements, the Group changed its depreciation method for property, plant and equipment. Our opinion is not qualified in respect of this matter.

Member of
Deloitte Touche Tohmatsu Limited

Convenience Translation

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

Deloitte Touche Tohmatsu

June 20, 2013

Corporate Profile (As of April 1, 2013)

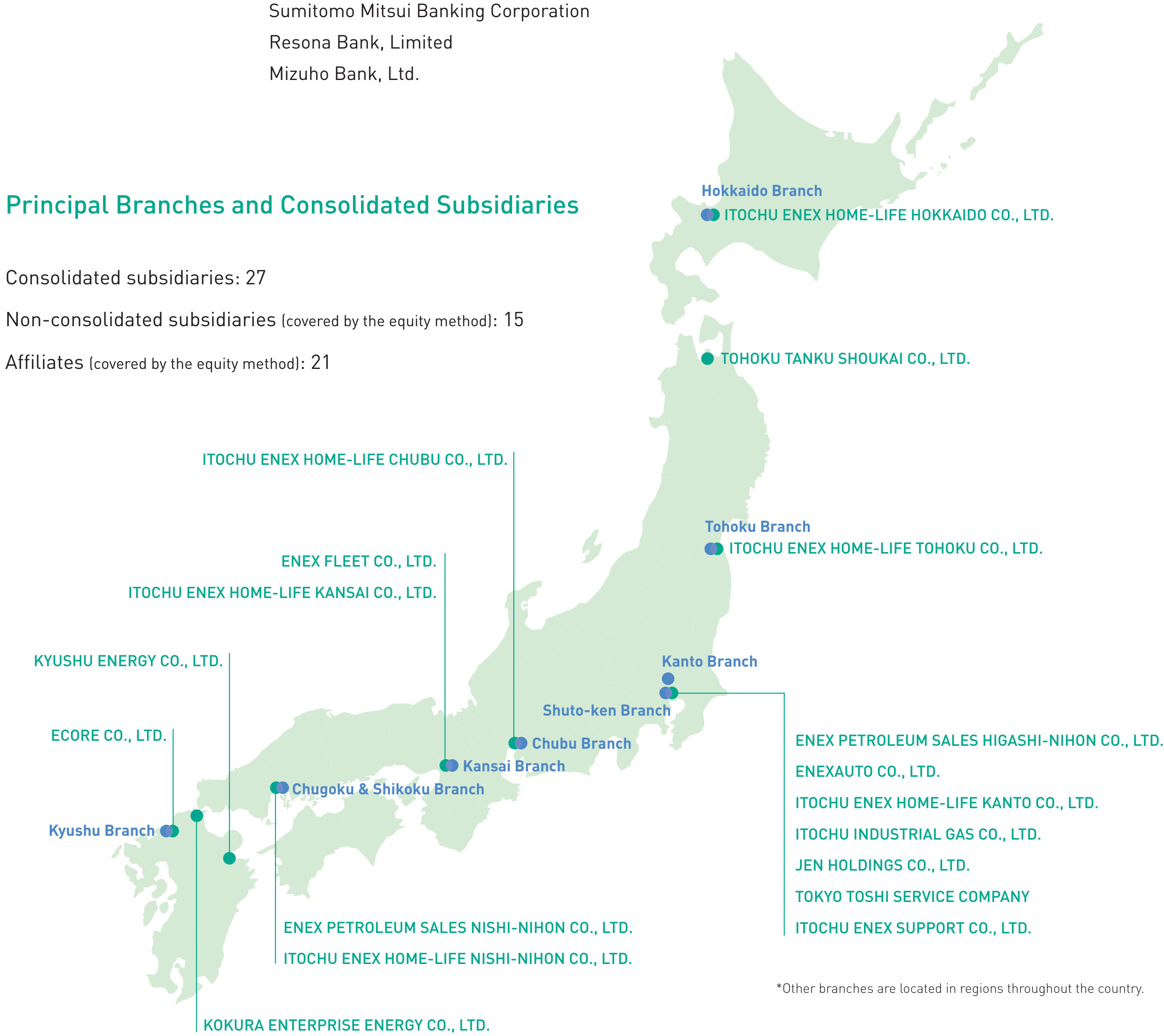
Company Name	ITOCHU ENEX CO., LTD.
Head Office Address	Granpark Tower 3-4-1, Shibaura, Minato-ku, Tokyo 108-8525, Japan
Established	January 28, 1961
Paid-in Capital	19,877.67 million yen
Business Divisions	Energy Trade Division Car-Life Division Total Home-Life Division Power & Utility Division
Number of Employees (As of March 31, 2013)	670 (Non-consolidated) (including 192 at subsidiaries) 3,706 (Consolidated)
Main Financial Institutions	Sumitomo Mitsui Trust Bank, Limited Sumitomo Mitsui Banking Corporation Resona Bank, Limited Mizuho Bank, Ltd.

Principal Branches and Consolidated Subsidiaries

Consolidated subsidiaries: 27

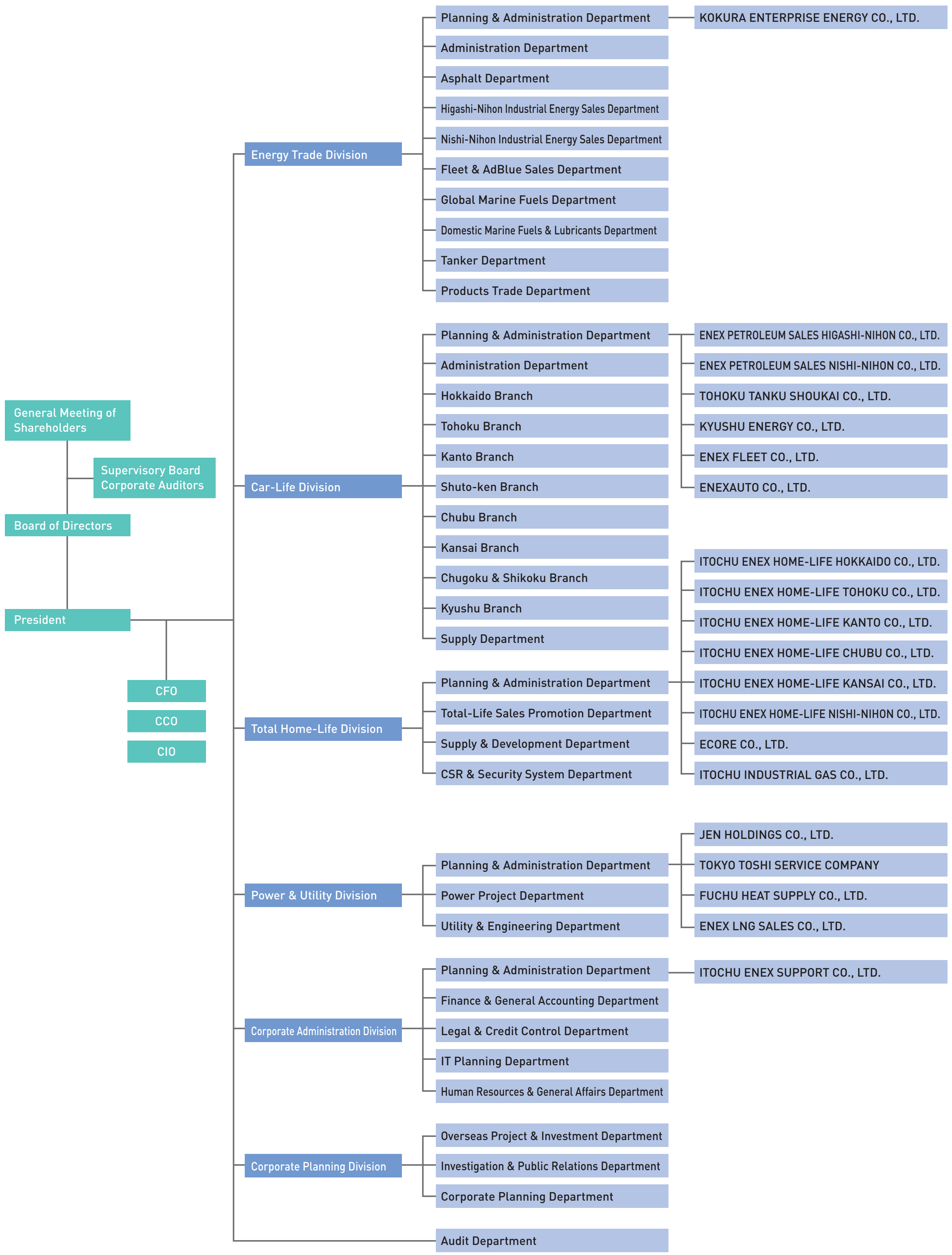
Non-consolidated subsidiaries (covered by the equity method): 15

Affiliates (covered by the equity method): 21



*Other branches are located in regions throughout the country.

Organization Chart (As of June 20, 2013)



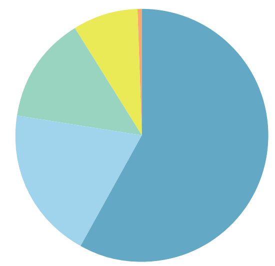
Stock/Shareholder Information (As of March 31, 2013)

Stock Information

Number of shares authorized to be issued	387,250,000
Number of shares issued and outstanding	116,881,106
Number of shareholders	8,790
Trading unit of shares	100 shares

Distribution of shares

By type of shareholders



Other entities	58.14%
Individuals, others	19.35%
Financial institutions	13.76%
Foreign entities, etc.	8.27%
Financial instruments firms	0.48%

Note: "Individuals, others" includes treasury stock (3,888 thousand shares).

Principal Shareholders

Name	Number of Shares Held (Thousands)	% of Total Shares Issued
ITOCHU Corporation	60,977	52.17
Enex Fund	3,516	3.01
Nippon Life Insurance Company	2,203	1.88
Japan Trustee Services Bank, Ltd. (trust account)	2,075	1.78
JX Holdings, Inc.	2,009	1.72
Sumitomo Mitsui Trust Bank, Limited	1,974	1.69
The Master Trust Bank of Japan, Ltd. (trust account)	1,969	1.68
Itochu Enex Employee Shareholding Association	1,791	1.53
SINANEN Co., Ltd.	1,570	1.34
Sompo Japan Insurance Inc.	979	0.84

* In addition to shares described above, the Company holds 3,888 thousand shares as treasury shares.

Shareholder Information

Stock exchange listing	Tokyo (First Section); Stock name: ENEX
Stock code	8133
Method of notification	Publication on the Company's website http://www.itcenex.com/english
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

ANNUAL REPORT

Published in September 2013

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