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#### About the cover design

The photos above the center show the Group's businesses, facilities, and employees working there, and the photos below the center show scenes from people's daily lives. The cover shows that the energy services provided by the Group are connected to aspects of people's lives.



#### Editorial Policy

“ENEX REPORT 2023” is an integrated report covering financial and non-financial information, including sustainability activities, prepared with reference to various guidelines. Its purpose is to communicate the Group's business activities and strategies implemented in pursuit of sustained growth.

#### Note on Forward-Looking Statements

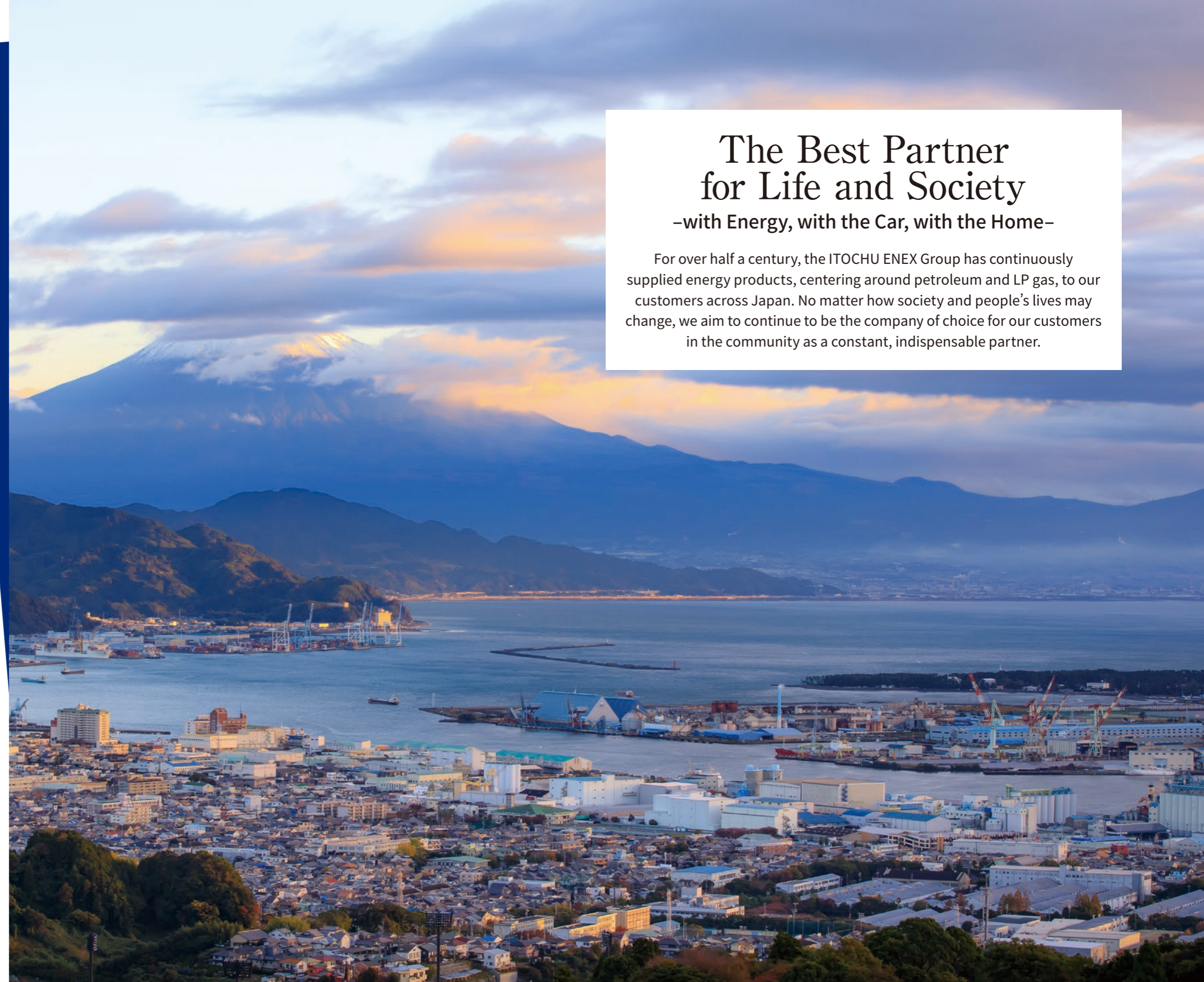
Forward-looking statements in this report, including outlooks for future Group business performance, are made by our management team based on the information available at the time of publication. Actual results may differ considerably from projections for various reasons, including fluctuating exchange rates, market trends, and economic conditions.

<b>Period</b>	Covered April 2022 – March 2023. Note: Includes certain activities that fall outside this period.
<b>Organizations</b>	Covered ITOCHU ENEX CO., LTD. and ITOCHU ENEX Group companies
<b>Publication Date</b>	October 2023

# The Best Partner for Life and Society

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

For over half a century, the ITOCHU ENEX Group has continuously supplied energy products, centering around petroleum and LP gas, to our customers across Japan. No matter how society and people's lives may change, we aim to continue to be the company of choice for our customers in the community as a constant, indispensable partner.



#### Origin of the company name

In July 2001, on the occasion of the 40th anniversary of its founding, the company name was changed from Itochu Fuel Corporation to ITOCHU ENEX CO., LTD. The “E” in ENEX stands for energy, end consumers, and ecology, while “NEX” stands for “NEXT,” as in the next generation, or the future.

#### The meaning behind the logo

The corporate mark, newly established in October 2005, overlaps the letter “e” to connect the blue earth and bright red sun. The theme is reverence for nature and the commitment to cherishing limited resources. While the “e” logo represents “energy” and “ecology,” it also embodies our commitment to valuing customers (end-consumers), and symbolizes communication that connects people to each other and to society.

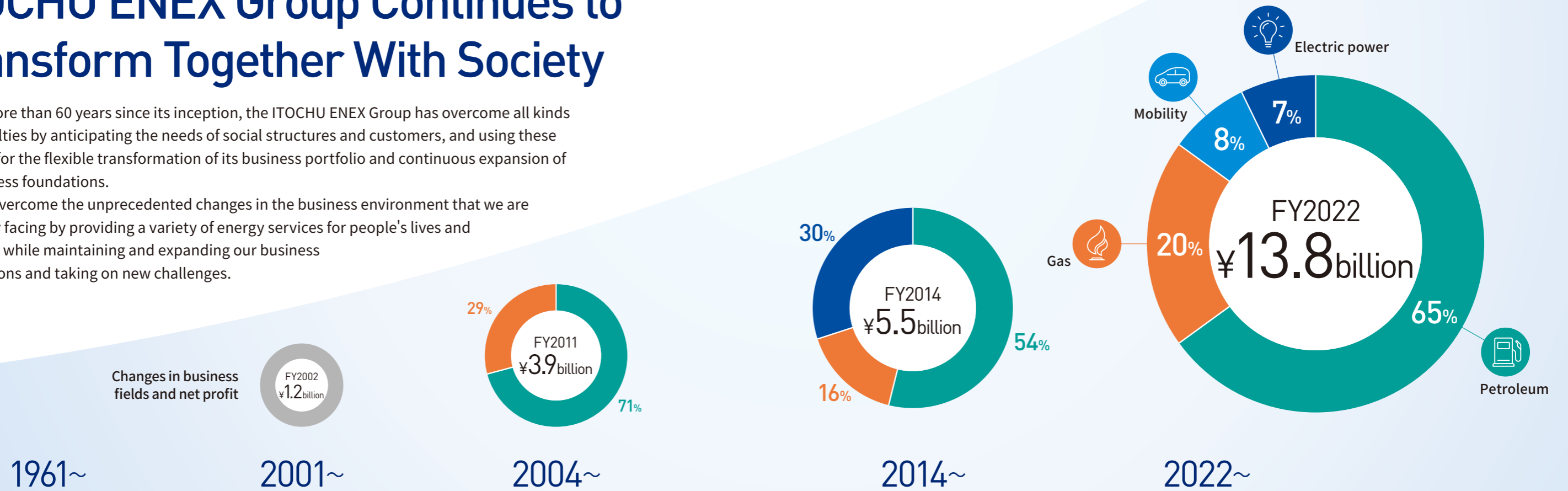




# ITOCHU ENEX Group Continues to Transform Together With Society

In the more than 60 years since its inception, the ITOCHU ENEX Group has overcome all kinds of difficulties by anticipating the needs of social structures and customers, and using these insights for the flexible transformation of its business portfolio and continuous expansion of its business foundations.

We will overcome the unprecedented changes in the business environment that we are currently facing by providing a variety of energy services for people's lives and industry, while maintaining and expanding our business foundations and taking on new challenges.



## Developing sales channels and expanding products

In 1961, our previous incarnation, Itochu Fuel Corporation, was established. In order to directly sell petroleum products nationwide, we worked hard to develop new sales channels and establish new service stations, and expanded into LP gas and auto gas businesses. Although our business was badly hit by the two oil crises during the 1970s, we continued to trade honestly and fairly, earning strong trust from our customers. At the same time, we took action to expand sales and entered new territories such as asphalt and high-pressure gas sales.



A refueling station in Fukuoka during the Itochu Fuel Corporation era

## From a fuel trading firm to an energy trading firm

Around 2001, the petroleum industry was undergoing rapid changes, as seen in intensified sales competition due to deregulation and the restructuring of primary distributors. Against this backdrop, the company, with 40 years of business experience, changed its name to ITOCHU ENEX Co., Ltd. and established a new corporate philosophy. We have taken the leap from a fuel trader to an energy trader with the idea that even if the form and delivery methods of energy change, we will continue to aim to create a prosperous society centered on energy. We pursued selection and concentration of businesses and reinforced our clean energy initiatives.



Advertisement created with the company name change

## The second inception: Becoming an integrated energy company

The petroleum and LP gas industries were facing a difficult business environment, marked by soaring energy prices and intensified competition from electric power and city gas. The Company laid out a basic policy of evolving into an integrated energy company with energy, automotive, and home solutions as its core. In addition to strengthening our sales infrastructure in the Kyushu area, we took steps to further expand our revenue base, including developing systems for the promotion of trading, solar, and EV businesses, and reinforcing our diesel fleet sales to transport businesses. We entered the electric power retail business in 2010 and the heating supply business in 2012.



Office building in Harumi where the headquarters of Tokyo Toshi Service CO., LTD. is located

## The challenge of further growth and transformation starts

In 2014, we issued a new Medium-term Business Plan with the slogan "Moving!", whose message was to "move now for the future." The plan was executed over seven years while changing its sub-focuses. We explored new markets and radically overhauled our traditional approaches in operations to adapt to rapid changes in the external environment. We expanded our business portfolio by entering the car dealership business in 2014 and the household electric power retail business in 2016, and also made forays overseas by leveraging the knowledge gained through our existing domestic businesses.



OSAKA CAR LIFE GROUP CO., LTD. engaged in car dealership business

## Accelerating the evolution of the business portfolio

In order to respond to the dizzying changes in the environment surrounding our Group, we implemented the medium-term business plan called "SHIFT! 2022," maintained and expanded existing businesses, and expanded environmental products such as self-consumption solar power and renewable diesel, resulting in an increase in profits for eight consecutive terms. We have formulated an eight-year medium-term business plan called "ENEX2030," to start in FY2023. We are accelerating new initiatives. For example, in July 2023, we held a launching ceremony for Japan's first LNG (liquefied natural gas) bunkering vessel, and are steadily moving forward with efforts to commence supply in 2024.



Japan's first LNG bunkering vessel scheduled to begin supply in 2024

### [Strengths we have built up]

Diverse products and business models

Sales capabilities rooted in the community

Diverse customer base in the community

Relationships with a wide range of business partners

For details, see P.12-13

### Changes in the social landscape

- Around 1960  
A period of rapid economic growth after the war called the "Iwato Boom"
- 1970s  
Crude oil prices soar due to two oil crises

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

- Soaring energy prices and intensified competition from electric power and city gas

- Declining birthrate and aging population, consumer awareness, and increased interest in energy conservation and efficiency

- Rapid changes in the composition and structure of global energy
- Increased opportunities to move toward a decarbonized society

# Expand and Connect

## Our Business Model as an Energy Trading Company

The ENEX Group has built up a strong customer base by striving to provide a stable supply of energy throughout the country. In addition, by diversifying our products in line with changes in social structure and needs, we have succeeded in expanding and deepening our customer base. As the energy industry undergoes major changes to the business climate, we aim to expand profits by flexibly changing and solving social issues.

### Petroleum



### Gas



### Electric power



### Stable supply of energy

Our group considers the stable supply of energy, which is essential to people's lives, to be a critical mission. In LP gas sales, we are working to strengthen infrastructure functions to ensure safe and secure delivery of energy without interruption through security operations such as checking supply facilities and equipment. We also offer products and services that are rooted in the local community, such as operational support for CS\*1 that deliver kerosene to the homes of elderly people in depopulated areas.

\*1 CS: Car-Life Stations. Multi-service refueling stations operated by our Group.  
 \*2 Renewable diesel: A next-generation biofuel with the potential to greatly contribute to reducing greenhouse gas emissions as an alternative fuel to conventional diesel, mainly for trucks and buses.  
 \*3 GTL fuel: A low environmental impact alternative to diesel refined from natural gas that can be used for vehicles such as construction machinery and heavy machinery that do not run on public roads.  
 \*4 AdBlue®: High-grade urea solution. AdBlue® is an environmental product that detoxifies nitrogen oxides (NOx) when sprayed on the exhaust gas emitted by the diesel engines of trucks and buses.  
 ®Registered trademark of Verband der Automobilindustrie e.V.(VDA)



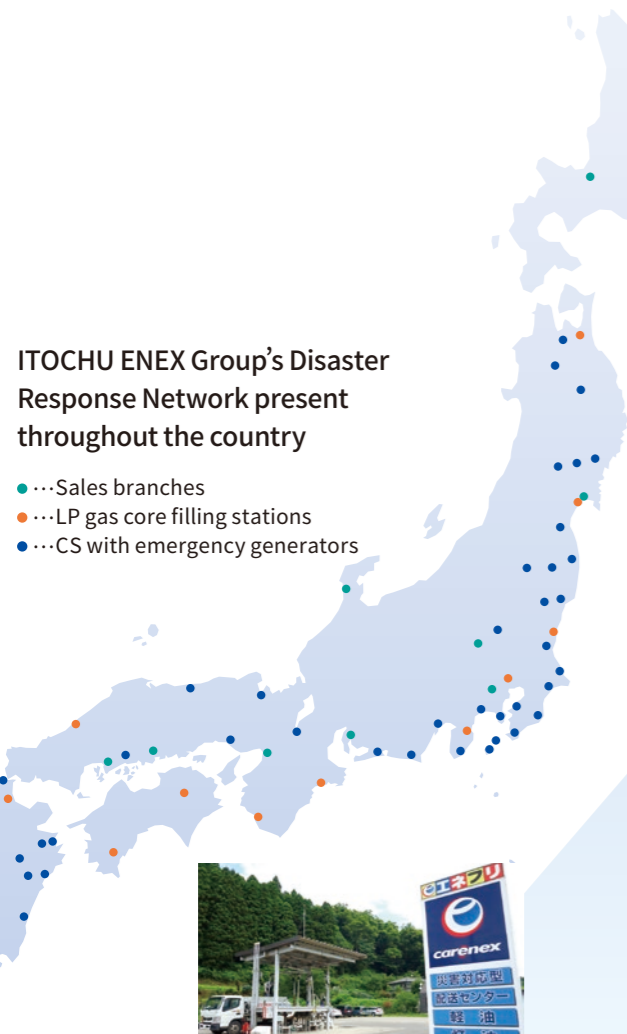
### Diversification of products

Our Group is diversifying the products and services we handle while staying ahead of changes in society and customer needs. We are making efforts to flexibly respond to changes in the business environment around our company by offering renewable diesel\*2 and GTL fuel\*3, which are alternative fuels to diesel oil, selling AdBlue®\*4, which renders nitrogen oxides (NOx) harmless, and studying the practical application of marine ammonia fuel.

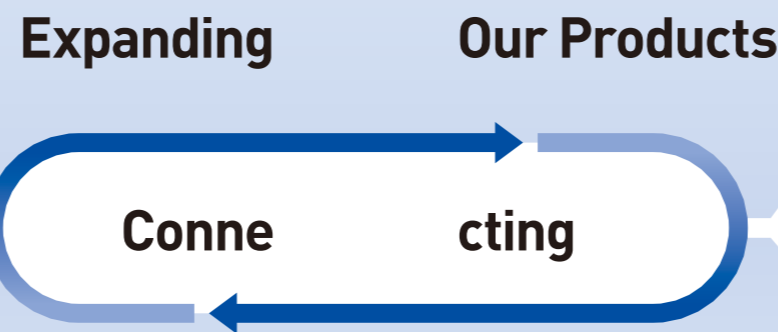


### ITOCHU ENEX Group's Disaster Response Network present throughout the country

- Sales branches
- LP gas core filling stations
- CS with emergency generators



Kizuna Net Center (Miyagi Prefecture) is designed to be an energy supply base in the event of a disaster



**Number of affiliated CSs operating nationwide** ..... **1,610 CSs**

**Households receiving LP gas/city gas** ..... **1.5 million households**

**Retail electric power sales volume** ..... **2,262,000 MWh**

### Disaster response

In order to ensure the stable supply of energy, we are promoting the creation of bases that can contribute to disaster prevention for local governments and the people in local communities. We are building a system that connects disaster-stricken areas with the rest of the country based on sales branches across the country, one that enables the entire company

to support disaster-stricken areas. In addition, we have developed a network to provide a stable supply of energy in the event of a disaster, including LP gas core filling stations and disaster response stations, as well as human resources who can join forces as members of the Group and swiftly respond to everything from disaster prevention to recovery.

For details, see here  
<https://www.itcenex.com/en/csr/social/disaster-prevention/>

Hazardous materials engineers Approx. 2,700	LPG installation engineers Approx. 1,500	Disaster prevention specialists Approx. 250
Resident base service stations 136 locations	Emergency community tanks 8 districts	Disaster prevention agreements 7 municipalities
LP gas core filling stations 13 locations	Sales branches across the country 11 branches	



# Through creativity and our ability to take action, we will enhance our “comprehensive strength” and create mechanisms for new business.

Representative Director, President and Chief Executive Officer

**Tomofumi Yoshida**

## Empowerment

One of the things I felt while working at ITOCHU ENEX from 2022 is that even though ITOCHU ENEX is a subsidiary of ITOCHU Corporation, the way employees work is rooted in the origins of ITOCHU and the mindset of the ITOCHU Group in the past. There are various criteria for evaluating a company, but one of the criteria for determining whether a company is good or not is whether it competes with its “comprehensive strength” and how it uses that comprehensive strength.

One good thing about ENEX is that our employees deliver energy safely and stably at worksites all over the country on a daily basis, and as a comprehensive strength, that contributes to how well the company as a whole is regarded. In order to enhance this comprehensive strength, I believe that it is crucial that we develop the abilities of individuals, encourage those individuals to get to know each other, cooperate together, and be grateful of one another. This will

foster the comprehensive strength that will allow them to prevail as a team.

In order to achieve this, one management concept I practice is the “delegation of authority,” or put differently, “empowerment.” To “empower” means not only to “give power or authority,” but also to “enhance abilities.” When I run a business company, mentor subordinates, or try to double our profits, I always put this “empowerment” at the center. Once a risk management system is established, I decide the scope of the delegation of authority and grant it. Employees then think and decide for themselves within the given scope. As a result, the people to whom the authority has been delegated will enjoy their work, grow on their own, get to own the results of their efforts. Even if they make mistakes, they will learn many things from those mistakes, and want to try again. Creativity and the ability to take action are paramount. We will create mechanisms for new business by adding new functions to our businesses, without being constrained by fixed notions.





## Strengthening on-site capabilities

Established in 1961 as a result of the splitting up of the former Itochu Sekiyu K.K., we have focused on the last mile of the supply chain and have endeavored to expand sales channels for petroleum products such as gasoline and LP gas. During that time, we have consistently pursued our mission to deliver energy safely and stably as “The Best Partner for Life and Society,” which is also our current management philosophy.

Our company has adhered to the “reliability and sincerity” stated in the company motto shortly after its establishment, and has cultivated relationships of trust with business partners and the community while maintaining close community ties. Even when our business partners faced difficulties due to soaring purchase prices during the oil crises, we always took a long-term perspective and put the customer first. Through this consistent approach, we have built relationships that can be described as prosperous coexistence with our business partners and local communities, and our networks that provide a stable supply of energy have become irreplaceable assets.

Through our businesses, I have a strong sense that our mission to “continue to deliver energy to society” has thoroughly spread through the ranks of our employees. On many occasions I have seen them take action on their own initiative and judgement, without being issued instructions, which I call “on-site capabilities.” The on-site capabilities of our employees, who enabled us to gain the assets that we have, are our strength. Since then, the market has faced repeated environmental changes, such as fierce and constant sales competition due to deregulation, growing global interest in environmental conservation, and intensifying competition that transcends the barriers between energy sources due to liberalization. However, each time, we have been ahead of the curve, diversifying our portfolio by taking on various challenges such as entering the clean energy business, retail electricity business, and car dealership business, and overcoming rough seas together with society and our customers.

However, an even more turbulent market environment awaits us in the future. Against the backdrop of the protracted situation in Ukraine, global energy prices

have remained high, and this has spurred moves to rectify our dependence on fossil fuels and accelerate the trend toward a decarbonized society. In Japan as well, the public and private sectors are working together to aim for the simultaneous realization of decarbonization, stable energy supply, and economic growth through GX (green transformation). Under these circumstances, with considerable effort and a little bit of luck, I can see on the distant horizon our company growing to about 10 times its current size, but to do so, all Group employees must join forces and double our comprehensive strength.

## Endless change

I have written down many sages' words in my lifetime, and among them there is the phrase *senpen banka*, or “endless change.” It has the meaning of “continuing to change according to the environment without fixating your mind on one place.” Going forward, this attitude toward endless change is what we will need in the company.

During SHIFT!2022, the medium-term management plan that ran through fiscal 2022, the efforts of each and every member of the Group had paid off, and almost all qualitative and quantitative targets were achieved. Unfortunately, the strategic new investments did not go as planned. One of the reasons for this is that we lacked the ability to carry out investments. Improvement in this area is now one of our major issues. In the newly formulated medium-term management plan, ENEX2030, we adopted the slogan “To Create Driving Force of Life.” This “driving force” embodies my strong hopes for the company. Energy is the power source that drives machines, and it also has the power to motivate our customers in their daily lives. We want to provide the driving force that energizes people's lives.

ENEX2030 was designed with the long-term time frame of eight years, running until fiscal 2030, and we have set a net income target of 20 billion yen or more in fiscal 2030. On that basis, we have divided the roadmap into two-year stages. For example, we will build up stable earnings by strengthening existing businesses through such means as expanding our trading area and growing the customer base of the electric power business. At the same time, we will



take steady steps to explore and cultivate the seeds of new businesses. Differentiation is the most important thing for growing new businesses and making them profitable. By exploring services that only ENEX can provide and initiatives that are closely connected with the community, making investments, and building on successful experiences, the power of our company will gradually grow. In addition to the substantial operating cash flow that will be generated by fiscal 2030, we will apply financial leverage through optimal fund procurement, set a new and strategic investment budget of 210 billion yen in addition to capital and maintenance investments, and accelerate investments during the second half of the plan.

In this plan, we have not specifically indicated what areas we will focus on, neither externally nor internally. In this business environment where the future is uncertain, even if we were to formulate a medium-term action plan, it is difficult to imagine that things would proceed as planned. For this reason, we plan to make investments in a meticulous and bold manner according to the circumstances at the time, without deciding on the targets, fields, or durations of investments ahead of time. Flexibly adapting to future changes in customer needs, repeatedly undergoing “endless change” ourselves is how the Group has always created business, and will continue to do so going forward. We believe that the employees who interact with customers should play a leading role. As such, the medium-term management plan incorporates the idea that the on-site capabilities of such employees will become our driving force.

## Slow and steady wins the race

There is a saying, “Slow and steady wins the race.” We must achieve transformation in a rapidly changing environment, and that is why we have positioned the first step, ENEX2030 '23-'24, as a stage in which we carefully solidify our footing and aim to secure revenue sources. While continuing to strengthen our on-site capabilities, we will put in place an investment advancement system aimed at creating new businesses, as well as strengthen our organization and human resources to facilitate evolution. When I see our



employees working with vigor and enthusiasm, I get a strong sense of the company's tradition of pursuing the happiness of not only our business partners and society, but also our employees. The company's mission is to contribute to society, and in order to do so, it is most important that our employees enjoy their work and derive happiness from it. As a consequence, we aim to run the company in a way that pleases our shareholders and business partners.

We will enhance the on-site capabilities of our employees, the greatest asset of the Group, and enhance the comprehensive strength of the entire group, but as I suggested at the beginning of this message, that comes down to the abilities of individuals and how well those individuals function as a team. That, I believe, is what leads to comprehensive strength.

How to improve individual abilities? We can broadly think of learning as being divided into two types. First, there is "book learning," where one learns in the classroom or from textbooks. Next, there is "street learning." This consists of OJT (On-the-Job Training), where employees learn from senior staff and customers as they work, or learn the job themselves by thinking for themselves and acting within the scope of the authority they have been delegated. From this book learning and street learning, individual employees study and gain experience, gradually becoming professionals. This leads to group strength, or put differently, teamwork. The first step in teamwork is for individuals to get to know each other. It is important for employees to be able to talk about what kind of work they do or how they earn money. Next, employees cooperate with each other because by doing so, synergy is created. If even a small amount of synergy is created and even a small amount of profit is earned, ideally the third step is for the employees to express gratitude to each other.

In this sense, communication is an important factor in improving on-site capabilities. We will break down the barriers separating the four business divisions and introduce systems whereby they can teach each other useful information and techniques, earn together, and be evaluated together. I am convinced that if each and every employee pays close attention to the lifestyles of our customers, we will be able to contribute to solving problems

in unprecedented ways. We want our employees to create their own businesses that are preferred by customers, without being bound by the framework of energy, and to that end, we will set up mechanisms for utilizing investments.

In the future, as part of the creation of a system to actively invest in the Group, we will support our employees in acquiring the necessary know-how for business investments. In this way, we plan to increase the number of employees who can proactively search for seeds of investment, in addition to the trading we have conventionally been engaged in. The Investment Strategy Development was established in April 2023. As a group of investment professionals, this organization will analyze, formulate, execute, and review projects, and will be responsible for large-scale domestic and overseas investment projects. In the fields in which we have knowledge, we intend to carefully select projects based on investment criteria while keeping an eye on diversifying investment risks.

We have 31 main Group companies, and in order to enhance our comprehensive strength by bolstering human resources and facilitating cooperation not only at our company alone but also at the entire Group, we are committed to improving the efficiency of Group consolidated management.

## In conclusion

The ENEX2030 medium-term management plan clearly lays out non-financial targets along with financial targets. In recent years, SDGs and ESG have become a global trend, and the demands on companies are increasing. As we are in an industry that has a particular responsibility to deal with the problem of global warming head on, we must take steps without fail. Promoting the active participation of women is also an important issue for our company, but rather than responding to external demands in a perfunctory manner or blindly riding the tide, we will proceed with substantive initiatives based on judgments as to whether they will lead to an increase in corporate value.

For example, we have 11 sales branches nationwide,

136 disaster response stations, and a disaster response network that connects various business infrastructures. As a result, we have a system in place that can respond rapidly in times of disaster. When an earthquake with a maximum seismic intensity of upper 6 on the scale occurred in the Tohoku region in March 2022, employees in areas close to the epicenter voluntarily made rounds to business partners even before the BCP (Business Continuity Plan) was put into effect, confirming the safety of our customers. The check was complete just three hours after the earthquake struck. Rather than simply contributing to society in the conventional sense, I think that in terms of deepening trust with local communities, initiatives like these are essential for simultaneously creating social and economic value over the long term.

In order to fulfill our mission of delivering energy and services to society no matter the circumstances, all Group

employees will work together to hone their minds, skills and bodies and push forward with their work. I believe that it is our Group's mission to overcome the current difficulties together with the customers who, over generations, have been with us for 60 years. To that end, our Group will work together to further strengthen our on-site capabilities and continue to contribute to our customers.

The world around us will continue to change rapidly and not wait for us. Therefore, I pledge to all of you that I will do what I can as soon as possible, that I will not miss opportunities in the market, that I will do everything in my power to make the most of my intuition for winning, and that I will use my body, mind, and luck to their fullest.

To employees, I hope we can enjoy working together going forward.

To our stakeholders, including our shareholders, I want you to look forward to our future growth.

