

October 31, 2008

JAPAN ENERGY CORPORATION  
ITOCHU Corporation  
ITOCHU ENEX CO., LTD  
OSAKA GAS CO., LTD.  
NISSHO PETROLEUM GAS CORPORATION

## **Basic Agreement to establish a new company to restructure and merge LP Gas Operations**

The JAPAN ENERGY CORPORATION ("J Energy"), ITOCHU Corporation ("ITOCHU"), ITOCHU ENEX CO., LTD ("Enex"), OSAKA GAS CO., LTD. ("Osaka Gas"), and NISSHO PETROLEUM GAS CORPORATION ("Nissho") have done the investigation designed to restructure and merge Liquid Petroleum Gas ("LPG") operations (announced on February 21, 2008) now have reached a basic agreement to establish a new company to merge the functions of import and wholesales as follows;

### **1. Outline of the integrated new company**

- |                               |  |
|-------------------------------|--|
| (1) Company name              | : Japan Gas Energy Co. Ltd. (tentative)                    |
| (2) Head Office               | : (undecided)  |
| (3) President                 | : undecided (intend to be appointed by J Energy)           |
| (4) Paid-in Capital           | : (undecided)  |
| (5) Date of the establishment | : April 1 <sup>st</sup> , 2009 (plan)                      |
| (6) Share holders             | : J Energy 51% Nissho 29% Enex 20%                         |
| (7) Business Activities       | : Import LPG, Sales (wholesales)                           |
| (8) Sales Amounts             | : approx. 280 billion yen (annual)                         |
| (9) Import Volume             | : 1.5 million tons (annual)                                |
| (10) Sales Volume             | : 2.25 million tons (annual)                               |
| (11) Others                   | : Unify LPG overseas procurement functionality with ITOCHU |

### **2. Background and Objective**

The Japanese LPG industry is currently in a difficult business environment due to rising prices of LPG imports and sluggish growth prospects caused by fierce competition with other energy sources and The five concerned parties have hereby reached the mutual conclusion that individual efforts to streamline operations are insufficient for weathering the difficult situation.

The five concerned parties, intending to create an LPG Business Group which will be capable of efficiently providing a stable supply of LPG products with a comprehensive competitive edge across the entire range of LPG operations from overseas procurement to retail sales, have investigated the scheme of alliance.

### **3. Future schedule**

The five concerned parties will investigate the details to establish the integrated new company and investigate a scheme to align operations and capital of J Energy, Nissho, and Enex retail affiliates in order to strengthen competitiveness in the retail segment.

#### **Relevant contact information**

JAPAN ENERGY CORPORATION	General Affairs HR Dept (Publication Division)	03 (5573) 6100
ITOCHU Corporation	Corporate Communications Division, Media Relations	03 (3497) 7293
ITOCHU ENEX CO., LTD	Business Development IR Press Office	03 (6327) 8003
OSAKA GAS CO., LTD.	Publication Division, Press Team	03 (6205) 4515
NISSHO PETROLEUM GAS CORPORATION	Planning and Coordination Dept.	03 (3595) 6773

## Company Summaries

### 1. JAPAN ENERGY CORPORATION

Headquarters	: Toranomom 2 chome, Minato-ku, Tokyo
President	: Isao MATSUSHITA
Share capital	: ¥48 billion
Established	: April 2003
Business operations	: Oil exploration, refining, and sales of petroleum products, import and sales of LPG, production and sales of petrochemicals
Sales	: ¥3.19 trillion (as of March 2008)
Number of employees	: 2,700

### 2. ITOCHU Corporation

Headquarters	: Kita-Aoyama 2 chome, Minato-ku, Tokyo
President	: Eizo KOBAYASHI
Share capital	: ¥202 billion
Established	: December 1949
Business operations	: Trading House
Sales	: ¥12.4 trillion (as of March 2008)
Number of employees	: 4,222

### 3. ITOCHU ENEX CO., LTD

Headquarters	: Shibaura 3 chome, Minato-ku, Tokyo
President	: Akira KODERA
Share capital	: ¥19.8 billion (52.15% held by ITOCHU)
Established	: January 1961
Business operations	: Petroleum products, LPG sales
Sales	: ¥1.94 trillion (as of March 2008)
Number of employees	: 600

### 4. OSAKA GAS CO., LTD.

Headquarters	: Hirano-machi 4chome, Chuo-ku, Osaka-shi, Osaka
President	: Hirofumi SHIBANO
Share capital	: ¥132.1 billion
Established	: April 1897
Business operations	: Gas production, delivery, and sales; LPG sales; Electricity generation and sales; etc.
Sales	: ¥1.12 trillion (as of March 2008)
Number of employees	: 5,418

### 5. NISSHO PETROLEUM GAS CORPORATION

Headquarters	: Nishi-Shinbashi 1 chome, Minato-ku, Tokyo
President	: Takao SHINKEYA
Share capital	: ¥1.7 billion (52.5% held by Osaka Gas, 25% by ITOCHU, And 22.5% by Sojitz )
Established	: May 1990
Business operations	: Importation and sales of LPG, LNG and petroleum products
Sales	: ¥148.6 billion (As of March 2008)
Number of employees	: 50

## Summary of LPG Operations at Each Company

	Japan Energy Group	ITOCHU Corporation ITOCHU Enex Group	Nissho LP Gas Group	Total
Trade volume (Japan-bound volumes) (2007)	—	4 million tons (2.4 million tons)	—	4 million tons (2.4 million tons)
Import volume (2007)	900 thousand tons	—	460 thousand tons	1.36 million tons
Production volume (2007)	150 thousand tons	—	—	150 thousand tons
Domestic sales (2007)	1.19 million tons	1.1 million tons	870 thousand tons	2.25 million tons (NOTE 1)
Import terminal	3 sites  ·Ibaraki Pref. Kamisu-shi (Kashima); ·Kanagawa Pref. Kawasaki-shi; ·Ookayama Pref. Kurashiki-shi (Mizushima)	2 sites  ·Mie Pref. Yokkaichi-shi; · Ookayama Pref. Kurashiki-shi (Mizushima)	1 site  ·Mie Pref. Yokkaichi-shi	4 sites (NOTE 2)
Secondary terminal	4 sites  ·Miyagi Pref. Shiogama-shi; ·Shizuoka Pref. Shida-gun, Oigawa-machi; ·Hiroshima Pref. Hiroshima-shi; ·Kagoshima Pref. Kagoshima-shi	1 site  ·Nagasaki Pref. Nagasaki-shi	2 sites  ·Hiroshima Pref. Hiroshima-shi; ·Ehime Pref. Iyo-gun, Masaki-machi	7 sites
Number of households supplied	70 thousand	330 thousand	100 thousand	500 thousand
Number of primary retail affiliates	3	9	10	22

(NOTE 1) Does not include the sales to Enex by Japan Energy and Nissho LP Gas

(NOTE 2) Shared terminals were not counted separately, but were counted as a single.