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Energy, Metals & Minerals Company

The Energy, Metals & Minerals Company has been taking active steps to expand its natural resource development business, a key sector for ITOCHU in expanding profits. Many of our projects implemented to date have been high in profitability, producing a top-ranked ROA in comparison to the energy, metals, and minerals sector of other general trading companies.

We have participated in a number of development projects primarily in Australia related to iron ore, coal, and alumina. As of April 2005, we held an equity share in metals and mineral resources with the following output totals: iron ore, 8 million tons; coal, 9 million tons; and alumina, 200,000 tons. Demand for coking coal as well as iron ore, a raw material for steel, has been increasing in Asia and in particular China, suggesting that prices should remain firm over the mid to long term.

Natural gas and liquefied natural gas (LNG) development projects are progressing as scheduled in Algeria, Qatar, and Oman, thereby contributing substantially to earnings growth in the energy resource development sector. With respect to oil exploration, production on a commercial scale has commenced for the ACG Project at the Central Azeri oil field in Azerbaijan. In addition, production of crude oil is scheduled to begin by the end of this year for the Sakhalin-I Project, which is currently under exploratory development. We have also acquired an equity share in an oil field develop-

Net Income from Major Group Companies*

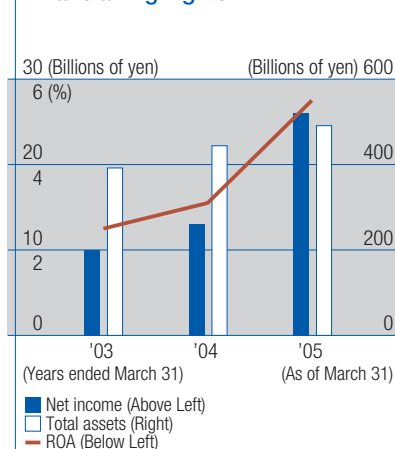
Years ended March 31 (Billions of yen)	2004	2005
• ITOCHU Non-Ferrous Materials Co., Ltd.	¥0.5	¥ 0.8
• ITOCHU Petroleum Japan Ltd.	1.5	0.4
• ITOCHU Minerals & Energy of Australia Pty Ltd	5.3	13.9
• Marubeni-Itochu Steel Inc.	3.1	9.7
• ITOCHU Oil Exploration (Azerbaijan) Inc.	2.3	2.0
• JAPAN OHANET OIL & GAS CO., LTD.	0.0	0.1

*ITOCHU's share of net income

ment project in the British North Sea, which we expect will immediately contribute to Company profits.

We aim to improve further our profitability in natural resource development through an aggressive pursuit of high-value-added businesses. Such projects include a large-scale pipeline for shipping oil from Azerbaijan, an LNG ship-holding business that transports LNG from Oman, and a coke production business in China.

Financial Highlights



Business Performance and Priority Policies in Fiscal Year 2005

Business performance for the period improved greatly due to sustained high prices and volume levels for coal, iron ore, crude oil, and all other products we handle. Gross trading profit increased by ¥14.4 billion to ¥39.1 billion, primarily due to an increase in the volume of coal handled following our purchases of an additional equity share during the fiscal year ended March