

# Energy, Metals & Minerals Company

## Message from the Division Company President

Our objective has been to maximize earnings by actively participating in projects for developing natural resources with growth potential and linking resources produced by these projects with trading. We have also improved efficiency of our organization and assets, as in the example of spinning off our Iron & Steel Division. As a result, during the two-year period, we achieved the ¥10.0 billion net income targeted by our A&P-2002 Mid-term Plan. Under our Super A&P-2004 Mid-term Plan, we are targeting ¥15.0 billion in net income in two years by pursuing organizational efficiency and by further strengthening our earnings base through natural resource development and trading.



### Business Performance in Fiscal Year 2003

Mainly due to the spin-off of the Iron & Steel Division into an equity-method affiliate, trading transactions decreased by ¥523.8 billion and gross trading profit fell by ¥19.7 billion compared to the previous fiscal year. Net income, however, increased ¥0.5 billion to exceed ¥10.0 billion, mainly thanks to increased earnings in natural resource development at ITOCHU Oil Exploration Co., Ltd. and other affiliates, and favorable performance of Marubeni-Itochu Steel Inc.

### What We Did in Fiscal Year 2003

**In energy resource development,** the Ohanet Natural Gas Development Project in Algeria has steadily progressed and will start production in fiscal 2004. The Sakhalin-I Project is moving along well in Phase I and is on target to start oil production at the end of fiscal 2006. Sakhalin-I's recoverable reserves are estimated at 2.3 billion barrels of crude oil and 17,000 billion cubic feet of natural gas. As a new project, we have participated in a US\$2.3 billion large-scale crude oil pipeline project that will link the Caspian and Mediterranean Seas. We plan to use this pipeline for the transportation and sale to the worldwide crude oil market from the vast Azerbaijani oil fields in which our subsidiary, ITOCHU Oil Exploration Co., Ltd., has interests.

**In mineral resource development,** we decided to participate in a new coal mine development project in Australia. Also, a project for developing new coal mines in Indonesia and one for developing an iron ore mining

area and expanding shipping capacity in Australia are progressing smoothly. In addition, we are conducting feasibility studies for new coal mine development, particularly in China.

**In the trading sector,** we further reinforced our global energy trading formation mainly by strengthening ITOCHU Petroleum Japan Ltd.'s alliances with Chemoil Corp. in the U.S. and Galaxy Energy Group Ltd. in Europe. In addition to this, we are expanding our international trading activities for coal, iron ore, and non-ferrous metals businesses. Particularly in the non-ferrous business, we succeeded in obtaining substantial market share in a Europe and Asia-focused global sales of refrigeration units for transportation containers.

**In the steel products business,** Marubeni-Itochu Steel Inc.'s performance was favorable, supported by the contribution from overseas steel pipe transactions and other overseas earnings, mainly from North America and Asia.

**New fields,** with our emphasis on the environmental conservation-oriented business, include expansion of the recycling business and development of DME (dimethyl ether), which is attracting attention as a clean energy source.

Hiroshi Sumie  
President, Energy, Metals & Minerals Company