

# ITOCHU's Advantages in Minerals and Energy Resource Development Businesses: In Pursuit of Asset Efficiency

ITOCHU has a number of highly efficient and profitable projects related to metals and minerals as well as energy development, which produce a level of asset efficiency that ranks among the top for general trading companies. Our fundamental strategy is to strengthen and expand ITOCHU's profit base in the natural resource development business by expanding investment in existing business projects and working to develop new, superior projects while sustaining a high level of asset efficiency.

## Example of an ITOCHU Natural Resource Development Project in Its Pursuit of Asset Efficiency

### 1. Active Advancement of the Azerbaijan Project

We expect that the ACG Crude Oil Development Project in Azerbaijan and the BTC Pipeline Project, which is to transport the crude oil from the Caspian Sea to the Mediterranean Sea, will become one of the main profit sources for ITOCHU's energy resource development sector over the mid to long term.

In February 2005, we commenced production on a commercial scale at the Central Azeri oil field, one of the ACG Project's main oil deposits. The plan for the future is to expand production, establishing a production capability that entails a peak capacity of 1 million barrels per day by 2010. In addition, the laying of pipeline to transport such a volume of oil efficiently is progressing on schedule and we anticipate it will be operational on a full scale by the end of 2005.

ITOCHU is the only general trading company with active oil exploration projects in the region. We hold stakes of 3.9% and 3.4% in the ACG Project and BTC Pipeline Project, respectively, and



anticipate vastly expanded profit growth as crude oil production and shipment volumes increase.

### 2. "Consolidating Operations" and "Configuring a Natural Resource Portfolio" in Australia

In March 2004, ITOCHU consolidated all its Australian group companies in which it had a natural resource development equity share including iron ore, coal, aluminum, and crude oil by establishing ITOCHU Minerals & Energy of Australia Pty Ltd (IMEA). Through the consolidation, we have secured the following advantages: (1) pursue more comprehensive alliances with major resource companies than on a sector-by-sector basis; (2) enjoy a more efficient use of capital by having a stronger financial background; and (3) enhance our in-house project evaluation capability by securing and training specialists, taking advantage of our scale as a comprehensive resource development company. As the full advantages of consolidation come to bear, we anticipate a dramatic



expansion in our earnings base for the natural resource development business in this region.

Supported by an upward price trend and greater demand, net income for IMEA in fiscal year 2005 exceeded our initial forecast by ¥7.2 billion, recording a 160% year-on-year increase to ¥13.9 billion. In addition, we expect further profit expansion in the next fiscal year as our Rolleston coal mining project in Queensland and Cliff Head crude oil development project in Western Australia begin operations and start contributing to profits.

\*Please refer to page 31 for the information on the Company's major resource projects.

### ACG Project Production Volume

