

February 7, 2002  
ITOCHU Corporation  
Code Number 8001  
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Chuo-ku, Osaka  
(Tokyo) Corporate Communications Division  
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This document is an English translation of a statement written initially in Japanese. The Japanese original should be considered the primary version.

Separation and Transfer agreement between ITOCHU Corporation and  
ITC Networks Corporation

ITOCHU Corporation (ITOCHU) and ITC Networks Corporation (ITCN) announced that both Boards of Directors decided on February 7 to separate ITOCHU's Agency business for telecommunications carriers. These operations will be succeeded to by ITCN on April 1, 2002.

1.Objectives

ITOCHU's Telecommunications Network Business Department acts as an agent for telecommunications carriers, while ITCN handles back-up for ITOCHU according to the service agreement between the two companies. The two companies have worked together closely to further business activities.

In order to respond to the substantial changes expected in industry and market, and to strengthen competitive and earning power, it has been agreed to cancel this service agreement and merge the two businesses, thus resulting in the current agreement.

2.Outline

(1)Schedule (Preliminary)

February 7, 2002	Board of Directors' authorization of agreement (Both companies)
February 7, 2002	Signing of agreement (Both companies)
February 22, 2002	Agreement submitted for approval at general meeting of shareholders (ITCN)
April 1, 2002	Completion of separation and succession, and official registration

(2)Separation Procedure

1.Separation Procedure

ITOCHU will separate telecommunication carrier business and ITCN will succeed to it.

2.Rationale

This separation and succession will lead to speedier decision making, management decisions based on on-the-spot information, better use of management resources. ITOCHU's Telecommunications Network Business department which acts as an agent for telecommunications carriers will be split up, and that part of the business taken on by ITCN by adopting this separation-succession method. The new shares issued by this separation and succession will be allocated to ITOCHU.

(3) Share Allocation

1. Stock Allocation Ratios

ITOCHU will receive all 7,600 newly issued common stocks in ITCN.

2. Basis for Stock Allocation Percentage

All stocks in ITCN will be issued and obtained by ITOCHU, which owns ITCN outright. Since it is a 100% subsidiary, ITOCHU's net assets will not change after the separation and succession. As a result, there will be no direct affect on ITOCHU's shareholders, and the number of shares to be issued for ITCN was agreed upon by both sides.

3. Third-Party Calculations

No third-party calculations took place.

(4) Separation subsidy

There will be no payment of a separation subsidy.

(5) Claims and obligations ceded to ITCN

ITCN will take over entire agency contracts, including sub-agency and other collateral agreements, in effect on the day of the transfer, and consequential status as a relevant service provider held between ITOCHU and telecommunications carriers. However, this does not include claims for continuation commission and accrued income against telecommunications carriers, and trade receivables for sub-agencies, and obligations such as penalty expenses, accrued expenses and continuation commission expenses to sub-agencies incurred on the agency contracts if the origin of the obligation was incurred previous to the transfer date.

Further, those ITOCHU employees that work in this business area to be transferred will be seconded to ITCN

(6) Redemption of debt

Debts owed by ITOCHU and ITCN that will have a maturity date on or after the date of the transfer will be redeemed accordingly.

(7) Transfer of Corporate Officers

There will be no new appointment of directors and auditors for ITCN.

3. Overview of ITOCHU and ITCN (as of March 31, 2001)

(1) Name	ITOCHU Corporation (to transfer business)		ITC Networks Corporation (to merge business)	
(2) Business Lines	Import & export, third-country trading and domestic sales of textiles, machinery, electronics, metals, chemical products, oil & other energy related business, foodstuffs, foods, forestry products, paper & pulp, rubber and ceramic products and other commodities. Also involved in insurance services, financial services, construction, real estate, warehousing, and information & communications businesses.		Business as a contract agent of Telecommunications Network Business Department of ITOCHU and sale of telecommunication terminals	
(3) Established	December 1, 1949		August 11, 1997	
(4) Head Office	Osaka		Shinjuku-ku, Tokyo	
(5) President	Uichiro Niwa		Ichizo Teramoto	
(6) Common stock	174.7 billion yen		0.1 billion yen	
(7) Total no. of shares issued	1,425,487,736		2,000	
(8) Shareholders' Equity	264.5 billion yen		0.1 billion yen	
(9) Total assets	2,782.7 billion yen		4.9 billion yen	
(10) Fiscal year-end	March 31		March 31	
(11) Employees	5,012		260	
(12) Main clients	Telecommunications Network Business Dept.			
	(Trading transactions)	Mass home electronics retailers, GMS etc.	(Trading transactions)	ITOCHU Consumers
	(Purchasing)	Telecommunications carriers	(Purchasing )	ITOCHU
(13) Major Shareholders and stock holding ratios	Japan Trustee Services Bank, Ltd.	6.54%	ITOCHU 100.00%	
	The Dai-Ichi Kangyo Bank, Ltd.	4.86%		
	The Sumitomo Mitsui Banking Corporation	3.31%		
	Nippon Life Insurance Company	3.10%		
(14) Principal Banks	The Dai-Ichi Kangyo Bank, Ltd.		The Dai-Ichi Kangyo Bank, Ltd.	
	The Industrial Bank of Japan, Ltd.		The Sumitomo Mitsui Banking Corporation	
	The Sumitomo Trust & Banking Co., Ltd.		The Fuji Bank, Ltd.	
(15) Material relationships between the two companies	Capital	ITCN is an ultimate subsidiary of ITOCHU		
	Personnel	ITOCHU has seconded the employees as directors of ITCN		
	Trading	ITCN operates back-ups for ITOCHU and ITOCHU has supplied terminals of telecommunications carriers		

(16) Three-year Summary of Financial Performance (Billion yen)

1. ITOCHU Corporation	Years ended March 31		
	2001	2000	1999
Total trading transactions	9,857.0	10,252.0	12,372.6
Trading Income	11.3	5.5	18.8
Current Income	30.8	39.3	51.6
Net income (loss)	25.5	(163.2)	2.1
Net income (loss) per share (yen)	17.9	(114.54)	1.50
Dividend per share (yen)	5	-	-
Shareholders' equity per share (yen)	185.6	162.5	268.5

2. ITC Networks Corporation	Years ended March 31		
	2001	2000	1999
Total trading transactions	10.7	4.5	1.8
Trading Income	(0)	0	0
Current Income	(0)	0	0
Net income (loss)	(0)	0	0

4. Content of the Business Divisions to be Separated

(1) Telecommunications Network Business Department

Agency business for telecommunications carriers

(2) Operating Results of Telecommunications Network Business Department for the Year Ended March 31, 2001.

	Business Division (A)	Consolidated (B)	Percentage (A/B)
Total trading transactions	77.0 billion yen	9,857.0 billion yen	0.8%

(3) Assets and Liabilities to be transferred (calculated as of September 30, 2000)

Assets		Liabilities	
Accounts	Book value (¥ billion)	Accounts	Book value (¥ billion)
Inventory	6.2	In-house funds	6.0
Investments and noncurrent receivables	0.2	In-house funds (Equivalent to stock allocation)	0.4
Total	6.4	Total	6.4

## 5. ITOCHU Corporation after the transfer

(1) Name	ITOCHU Corporation
(2) Business Lines	General Trading Company
(3) Head Office	Osaka
(4) President	Uichiro Niwa
(5) Capital	No change following the transfer
(6) Total assets	Resultant 6.4 billion yen decrease of this separation (Calculated as of September 30, 2001)
(7) Fiscal year-end	March 31
(8) Effect on financial results	No material effects are expected on ITOCHU's financial results at present.