

Dec 15, 2003
ITOCHU Corporation
Code Number 8001
1-3, Kyutaromachi, 4-chome,
Chuo-ku, Osaka
(Tokyo) Corporate Communications Division
81-3-3497-6927 Mr. Yoshiharu Matsumoto

This document is an English translation of a statement written initially in Japanese. The Japanese original should be considered the primary version.

Separation of businesses of ITOCHU Oil Exploration Co., Ltd.
and succession thereof to ITOCHU Corporation

ITOCHU Corporation (ITOCHU) has decided at the meeting of the Board of Directors held on December 15, 2003 that ITOCHU will succeed the energy resource development businesses that belong to Project Development Department of ITOCHU Oil Exploration Co., Ltd. (CIECO), a subsidiary of ITOCHU. This transaction will become effective on March 22, 2004.

1.Objective

By this separation and succession, ITOCHU will succeed the energy resource development businesses that belong to the Project Development Department of CIECO, a subsidiary of ITOCHU. This allows ITOCHU to integrate its group's energy resource development businesses and CIECO to concentrate on its technical service business, whereby both companies will be able to streamline the management and facilitate the operations.

2.Conditions of separation and succession

(1) Schedule

December 15, 2003	Board of Directors' approval of the separation and succession (Both companies)
December 15, 2003	Execution of the separation and succession agreement (Both companies)
January 9, 2003	Approval of the separation and transfer at a general meeting of shareholders (CIECO)
	The succession is valid for a simple separation and succession (The first paragraph of Article 374-23 of the Japanese Commercial Code), which doesn't require the approval at the general meeting of shareholders (ITOCHU).
March 22, 2003	Completion of the separation and succession, and official registration (Preliminary)

(2) Separation and succession scheme

1.Method

ITOCHU will succeed the business operations separated from CIECO.

2.Rationale

ITOCHU has decided to adopt the separation and succession method, as it is necessary to continue CIECO as a separate company from ITOCHU to maintain CIECO's existing high-level technologies.

(3) Stock allocation

1. Stock allocation ratio

ITOCHU will issue 7.7876 shares in ITOCHU for each share in CIECO held by ITOCHU Enex Co., Ltd.

2. Basis for stock allocation ratio

CIECO's stock value per share is calculated by dividing the valuation of businesses to be separated, by the number of its issued stocks. ITOCHU's stock value per share is calculated by the average closing price of ITOCHU shares at the Tokyo Stock Exchange for the one-month period of November 2003.

3. Third-party calculation

See the attached documents.

4. Number of shares to be issued resulting from the separation and succession

1,401,768 ordinary shares

(4) Increase in ITOCHU's capital, etc

1. Capital No increase

2. Capital surplus The amount deducting the following No. 3 and 4 items from the net assets related to this separation and succession of business

3. Retained earnings The decreasing amount of retained earnings at CIECO

4. Other reserves The decreasing amount of other reserves at CIECO

(5) Separation subsidy

No separation subsidy will be paid.

(6) Claims and obligations ceded to ITOCHU

ITOCHU will take over the claims and obligations, and other contractual positions related to the succeeding business.

(7) Redemption of debt

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

(8) Transfer of Corporate Officers

None will be transferred from CIECO to ITOCHU.

3. Overview of ITOCHU and CIECO (as of March 31, 2003)

(1) Name	ITOCHU Corporation (to succeed business)	ITOCHU Oil Exploration Co., Ltd. (to separate 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.	Exploration and development of crude oil and natural gas												
(3) Established	December 1, 1949	August 14, 1972												
(4) Head Office	4-1-3 Kyutaro-machi, Chuo-ku, Osaka	2-5-1 Minato-ku, Tokyo												
(5) President	Uichiro Niwa	Masao Yamazaki												
(6) Common stock	202,241 million yen	2,500 million yen												
(7) Total no. of shares issued (Book value)	1,583,488 thousand shares	5,000 shares												
(8) Shareholders' Equity	305,956 million yen	4,948 million yen												
(9) Total assets	2,591,343 million yen	26,593 million yen												
(10) Fiscal year-end	March 31	March 31												
(11) Employees	4,355	32												
(12) Main clients	Private companies including both domestic and overseas manufacturers, and nonmanufacturers Governmental and public agencies	Domestic and overseas oil companies Governmental and public agencies												
(13) Major Shareholders and stock holding ratios	<table border="0"> <tr> <td>Japan Trustee Services Bank, Ltd. (trust account)</td> <td>7.58%</td> </tr> <tr> <td>The Master Trust Bank of Japan, Ltd. (trust account)</td> <td>5.10%</td> </tr> <tr> <td>Mizuho Corporate Bank, Ltd.</td> <td>4.35%</td> </tr> <tr> <td>Mitsui Sumitomo Insurance Company, Ltd.</td> <td>3.24%</td> </tr> </table>	Japan Trustee Services Bank, Ltd. (trust account)	7.58%	The Master Trust Bank of Japan, Ltd. (trust account)	5.10%	Mizuho Corporate Bank, Ltd.	4.35%	Mitsui Sumitomo Insurance Company, Ltd.	3.24%	<table border="0"> <tr> <td>ITOCHU Corporation</td> <td>96.4%</td> </tr> <tr> <td>ITOCHU Enex Co., Ltd.</td> <td>3.6%</td> </tr> </table>	ITOCHU Corporation	96.4%	ITOCHU Enex Co., Ltd.	3.6%
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(15) Material relationships between the two companies	Capital	ITOCHU holds the stocks of CIECO												
	Personnel	ITOCHU has sent 10 employees including two transferred to CIECO												
	Trading	ITOCHU has outsourced a part of its operation to CIECO												

Note: CIECO has changed its fiscal year-end to Dec. 31, from fiscal 2004.

(16) Three-year Summary of Financial Performance

1. ITOCHU Corporation (to succeed business)

Years ended March 31

(unit: billion yen)

	2003	2002	2001
Total trading transactions	7,023.0	8,128.8	9,857.0
Trading Income	1.9	6.3	11.3
Current Income	33.2	31.2	30.8
Net income	8.2	10.2	25.5
Net income per share (yen)	5.3	7.1	17.9
Dividend per share (yen)	5.0	5.0	5.0
Shareholders' equity per share (yen)	193.4	187.1	185.6

2. ITOCHU Oil Exploration Co., Ltd. (to separate business)

Years ended March 31

(unit: billion yen)

	2003	2002	2001
Total trading transactions	1.4	2.0	2.3
Trading Income	(0.16)	0.50	1.16
Current Income	0.55	1.90	3.16
Net income (loss)	0.65	0.29	1.74
Net income (loss) per share (yen)	130	57	349
Dividend per share (yen)	100	50	100
Shareholders' equity per share (yen)	989	961	982

4. Profile of the Business Division to be succeeded

(1) Content of business of Project Development Department of CIECO

Major business operations such as planning, negotiation and management of energy resource development projects

(2) Operating results of Project Development Department of CIECO for the year ended March 2003

(Unit: million yen)

	Project Development Department of CIECO (a)	ITOCHU's result for the fiscal year ended March 2003 (b)	Percentage (a)/(b)
Total trading transactions	1,433	7,022,967	0.02%

(3) Assets and liabilities to succeed

ITOCHU estimates that it will succeed the assets totaling 30.9 billion yen and the liabilities totaling 21.7 billion yen from CIECO on March 22, 2004.

(Subject to change due to subsequent conditions)

5. ITOCHU Corporation after the completion of separation and succession

- (1) There will be no change in its name, business lines, head office, capital and president.
- (2) Immaterial effect is expected on a non-consolidated financial performance and no effect is expected on consolidated basis, as this is to separate ITOCHU's consolidated subsidiary.

<Attached document>

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The content of the third party calculation performed by Daiwa Institute of Research Ltd. is as follows.

1. Date of valuation

December 3, 2003

2. Method of valuation:

ITOCHU: Market price

CIECO: Discounted Cash Flow (DCF) method

3. Basis of calculation for share allocation

ITOCHU holds 96.6% and ITOCHU Enex Co., Ltd. holds 3.6% of CIECO's five million shares issued. The allocation of shares in ITOCHU to ITOCHU Enex Co., Ltd. will occur and no allocation of share to ITOCHU will occur, as ITOCHU will succeed the businesses separated from CIECO.

As a result of the DCF method's evaluation of businesses to be separated from CIECO, the market capitalization of its stocks was calculated at 13,204 million yen and thus its stock value (price) per share was calculated to be 2,640 yen.

Whereas, ITOCHU's stock value per share can be regarded the average closing price of ITOCHU shares at the Tokyo Stock Exchange for the one-month period of November 2003, which was justified by the fact that no inappropriate price making has been recognized as the recent order settlement ratio of ITOCHU's ordinary stocks was 100% at the first section of the Tokyo Stock Exchange.

Judging from the above, CIECO's share price is calculated to be 2,640 yen and ITOCHU's share is calculated at 339 yen. Thus the price ratio of CIECO for ITOCHU per share was calculated at 7.7876. Accordingly, 7.7876 shares in ITOCHU will be allocated for one share in CIECO.

In total, 1,401,768 shares in ITOCHU will be allocated for 180,000 shares in CIECO that ITOCHU Enex Co., Ltd. holds.