

ITOCHU to Separate and Spin-off Iron & Steel Division

ITOCHU Corporation (ITOCHU) announced that the Board of Directors decided on May 11, to separate and spin-off its iron & steel product business. The decision follows earlier basic agreements between ITOCHU and Marubeni Corporation announced on January 26, 2001 and March 9, 2001, to consolidate their iron & steel operations. These operations will be transferred to a new company, Marubeni-Itochu Steel Inc., on October 1, 2001.

1. Objectives

ITOCHU has been streamlining its operations in the iron & steel product business by consolidating and restructuring its worldwide operations and laying the groundwork for new business functions. On the other hand, as the structural reforms on a global scale led by steel manufacturers and demanding sources are accelerated, it is essential that ITOCHU expedite structural reforms and bolsters competitiveness in the iron & steel sector.

ITOCHU determined that consolidation of its iron & steel product business with those of Marubeni Corporation was the best way forward in meeting the challenges of the industry and further solidifying its position therein. The consolidation will enable ITOCHU to derive benefits from economies of scale resulting from an increase in transaction volumes. At the same time, ITOCHU will heighten competitiveness through enhanced marketing and administrative efficiency, and draw on the collective strengths of both entities to forge wide-ranging alliances with Japanese and overseas iron and steel manufacturers. Through these initiatives, ITOCHU aims to meet the iron and steel industry's vast demand of clients.

2. Outline

(1) Schedule (Preliminary)

May 11, 2001	Board of Directors' authorization of spin-off plan
June 28, 2001	Plan submitted for approval at the general meeting of shareholders
October 1, 2001	Spin-off completion and official incorporation of the new company

(2) Spin-off Procedure

1. Spin-off Procedure

ITOCHU and Marubeni will consolidate, spin-off and transfer iron and steel operations to a new subsidiary jointly established by the two companies.

2. Rationale

- (1) Since the spin-off process subsumes the establishment of the new company, start-up investment in paid-in capital is unnecessary.
- (2) Statutory audit concerning the transfer of ITOCHU's Iron & Steel Division is unnecessary.
- (3) Current iron & steel operations can be transferred to the new company without the consent of creditors.
- (4) Under the Employment Contract Transfer Law, employment contracts can be transferred to the new company much more easily than using other methods.

(3) Share Allocation

1. Stock Split Ratios

The 600,000 shares in the new company will be split equally between ITOCHU and Marubeni on a 1:1 basis.

2. Basis for Stock Split

ITOCHU and Marubeni requested Mizuho Securities Co., Ltd. (formerly the Industrial Bank of Japan, Ltd.) to calculate and compare the value of each company's shares in respect to their iron & steel operations. The final 1:1 stock allocation ratio was determined following a series of discussions based on this calculation.

3. Calculation basis, method, and result by 3rd party financial institution

Mizuho Securities calculated the share values of both companies in respect to iron & steel operations on a consolidated basis. The calculation was based on data contained in materials submitted by the two companies. The calculation employed the discounted cash flow (DCF) method, market multiple method, and adjusted net book value method.

After consideration of the above, Mizuho Securities presented an appropriate range for possible stock split ratios to the two companies.

(4) Claims and obligations ceded to the new company

1. Assets and liabilities related to ITOCHU and Marubeni's iron and steel operations, and all associated claims and obligations at the date of spin-off completion. (Excluding, however, those relating to the operations of ITOCHU's Steel Business Integration Committee and Marubeni's Iron & Steel Strategies and Coordination

Department.)

2. Employment contracts of all ITOCHU and Marubeni employees engaged principally in iron & steel operations, and all associated claims and obligations.

(5) Redemption of debt

Debts owed by ITOCHU and the new company will be redeemed accordingly.

(6) Corporate Officers of the New Company

From ITOCHU Corporation:

CHAIRMAN (Representative Director)
Akio Shigetomi

DIRECTORS
Toshio Kimura
Sadakazu Abe
Tsunekatsu Yonezawa
Sumitaka Fujita
Kiyomi Yamada

AUDITORS
Norio Kikuchi
Tadao Nakamura

From Marubeni:

PRESIDENT (Representative Director)
Seinosuke Okazaki

DIRECTORS
Kazuhiko Nishizawa
Akio Kitaarashi
Takaharu Sato
Katsuo Koh
Inoshin Kitamura

AUDITORS
Yuuji Yonezawa
Masanori Sasaki

3. Overview of ITOCHU Corporation and Marubeni Corporation (as of March 31, 2000)

(1) Name	ITOCHU Corporation	Marubeni Corporation
(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.	Import & export, third-country trading and domestic sales of textiles, metals, machinery, energy & chemical products, foodstuffs, construction materials and other commodities. Also involved in insurance services, financial services, construction, real estate, warehousing, and information & communications businesses.
(3) Established	1-Dec-49	1-Dec-49
(4) Head Office	Osaka	Osaka
(5) President	Uichiro Niwa	Tohru Tsuji
(6) Common stock	Yen174.7 billion	Yen194.0 billion
(7) Total no. of shares issued (Book value)	1,425,382,961	1,494,021,081
	(Yen50)	(Yen50)
(8) Shareholders' equity	Yen231.6 billion	Yen417.0 billion
(9) Total assets	Yen3,174.1 billion	Yen3,275.1 billion
(10) Fiscal year-end	31-Mar	31-Mar
(11) Employees	5,306	5,344
(12) Main clients	(Iron & Steel Division) (Trading transactions) Mazda, NTN, Isuzu Motors (Purchasing) Nippon Steel, Kawasaki Steel	(Iron & Steel Division) (Trading transactions) Nissan Motor, Fuji Heavy Industries (Purchasing) NKK, Nippon Steel

(13) Major Shareholders and stock holding ratios	The Sumitomo Trust & Banking Co., Ltd. (Trust account)	The Sumitomo Trust & Banking Co., Ltd. (Trust account)	
		5.24%	3.98%
	The Dai-Ichi Kangyo Bank, Ltd.	The Yasuda Fire and Marine Insurance Company, Limited	
		4.86%	3.98%
	The Sumitomo Bank, Ltd.	3.31%	Chase Manhattan Bank NA, London
		3.85%	
(14) Principal banks	Nippon Life Insurance Company	State Street Bank & Trust Company	
		3.10%	3.79%
	The Dai-Ichi Kangyo Bank, Ltd. The Industrial Bank of Japan, Limited The Sumitomo Bank, Ltd.	The Fuji Bank, Limited The Yasuda Mutual Life Insurance Company The Bank of Tokyo-Mitsubishi, Ltd.	
(15) Material relationship between the two companies	Capital	None	
	Personnel	None	
	Trading	None of particular relevance	

4. ITOCHU Corporation After the Spin-off

(1) Name	ITOCHU Corporation
(2) Business	General trading company
(3) Head Office	Osaka
(4) President	Uichiro Niwa
(5) Common stock	No change following the spin-off
(6) Total assets	Yen143.7 billion (projected to decline as a result of the spin off. Calculated as of September 30, 2000)
(7) Fiscal year-end	March 31
(8) Effect on results	The spin-off company is, at present, not expected to have a material effect on ITOCHU's results.

* ITOCHU's outlook for the fiscal year ending March 31, 2002, which will reflect the forthcoming spin-off, will be announced on May 17, 2001.