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The Japanese original should be considered
as the primary version.

March 14, 2008

To whom it may concern

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**Master Agreement on the Succession of the Petroleum Product-Related Businesses
of ITOCHU Corporation and ITOCHU Petroleum Japan Ltd. by Itochu Enex Co., Ltd.**

Itochu Enex Co., Ltd. (hereinafter "Itochu Enex"), ITOCHU Corporation (hereinafter "ITOCHU") and ITOCHU Petroleum Japan Ltd. (hereinafter "IPCJ"), one of ITOCHU's wholly owned subsidiaries, are pleased to announce that the three companies, at the respective meetings of their Board of Directors held today, determined that Itochu Enex will assume domestic sales and export/import businesses in Japan of petroleum products (e.g., kerosene, gas oil) engaged in by ITOCHU's Energy Trade Division (hereinafter the "Petroleum Products Trade Business") and the logistics business for petroleum products engaged in by IPCJ for the chartering and operating of tankers, the supply of marine fuels, the operation of petroleum storage tanks and trading of lubricating oil (hereinafter the "IPCJ Business") as of October 1, 2008, which is the effective date for the respective demergers (hereinafter collectively the "Demergers"), and have entered into this Master Agreement thereon.

1. Purpose of the Demergers

The domestic petroleum product market faces drastic changes in the supply-demand structure due to the high rise of crude oil prices, a dwindling population, global warming and other factors. On the other hand, overseas emerging markets centering on Asia have seen a steady expansion of demand, supported by high economic growth rates.

In these circumstances, Itochu Enex, which has mainly engaged in sales of petroleum products in Japan, has come to recognize, as has ITOCHU, that taking initiatives to reverse the falling growth rate of domestic demand with global business expansion is a key to any new growth strategy. Based on this common recognition, Itochu Enex aims to achieve synergies such as the enhanced distribution function of petroleum products, the advantage of scale and the improvement of operational efficiency by integrating the domestic petroleum product distribution business of Itochu Enex, the Petroleum Products Trade Business of ITOCHU, and the IPCJ Business.

Meanwhile, ITOCHU aims to achieve further efficiency improvement and reinforcement through the

integration of the domestic petroleum product-related businesses, which were previously assumed by several Group companies. Moreover, ITOCHU aims to establish and enhance groupwide medium- to long-term profit-making foundations via more aggressive overseas transactions and investments, as well as through swifter decision making on the petroleum product business strategy of the ITOCHU Group.

2. Outline of the Demergers

(1) Schedule of the Demergers

Board of Directors to determine the Demergers	March 14, 2008
Conclusion of the Master Agreement Regarding the Demergers	March 14, 2008
Board of Directors to resolve the Demergers	Late April 2008 (planned)
Conclusion of the demerger contracts	Late April 2008 (planned)
General meeting of shareholders for approval of the Demergers (IPCJ)	Late June 2008 (planned)
Intended date for the Demergers (effective date)	October 1, 2008 (planned)
Date for issuing share certificates	Late October, 2008 (planned)

The Demergers will be conducted as simplified absorption-type demergers (“*kani-kyushu-bunkatsu*”) for Itochu Enex, the successor company, in accordance with Article 796, Paragraph 3, of the Corporation Law, which does not require a resolution for approval by a general meeting of shareholders. The demerger regarding the Petroleum Products Trade Business will be conducted as a simplified absorption-type demerger (“*kani-kyushu-bunkatsu*”) for ITOCHU, the demerged company, in accordance with Article 784, Paragraph 3, of the Corporation Law, which does not require a resolution for approval by a general meeting of shareholders.

(2) Demerger method

As for the Petroleum Products Trade Business, which refers to a split-up, absorption-type demerger (“*bunsha-gata kyushu-bunkatsu*”), ITOCHU will be the demerged company and Itochu Enex will be the successor company.

As for the IPCJ Business, which refers to a corporate separation-type demerger (“*bunkatsu-gata kyushu-bunkatsu*”), IPCJ will be the demerged company and Itochu Enex will be the successor company.

(3) Allotment of shares related to the Demergers

Itochu Enex will allot and issue 11,755,952 shares of its common stock to ITOCHU as consideration for the Petroleum Products Trade Business.

Itochu Enex will also allot and issue 13,392,857 shares of its common stock to IPCJ as consideration for the IPCJ Business. At the same time of the issuance of the shares above, IPCJ intends to distribute dividends from surplus for all the shares of Itochu Enex’s common stock, which will have been then allotted to IPCJ, as source funds for the dividends.

Of all the shares of Itochu Enex’s common stock that will be issued to ITOCHU as a consideration for the Petroleum Products Trade Business, 4,624,286 shares will be appropriated from those currently held by Itochu Enex.

In addition, Itochu Enex’s number of shares issued and outstanding will be 116,881,106 shares on and after an effective date of the Demergers, and ITOCHU will hold 60,947,809 shares of Itochu Enex’s common stock, together with 35,799,000 shares that it already holds, thereby accounting for approximately 52.15% of the total shareholding of Itochu Enex.

(4) Basis of calculations for allotment of shares in the demergers

1) Basis of calculations

To ensure the fairness and adequacy of the numbers of shares to be allotted in the Demergers, Itochu Enex selected Nikko Cordial Securities Inc. (hereinafter “Nikko Cordial”) as its third-party assessor to request the calculation of the numbers to be allotted. ITOCHU selected Nomura Securities Co., Ltd. (hereinafter “Nomura Securities”), as its third-party assessor.

Nikko Cordial adopted for Itochu Enex the average market share price method and the discounted cash flow method (hereinafter the “DCF method”) in valuations of the numbers of shares to be allotted. In addition, Nikko Cordial adopted the comparable company analysis method and the DCF method in valuations of the business value of the Petroleum Products Trade Business and the IPCJ Business. Nikko Cordial subsequently submitted its calculation results on the numbers of shares to be allotted for the two businesses to Itochu Enex. The calculation results on the numbers of shares to be allotted for the respective businesses under each calculation method are as shown below.

Calculation method adopted	Range of valuations in the numbers of shares to be allotted (thousand shares)	
	Petroleum Products Trade Business	IPCJ Business
Comparable company analysis method	6,591–11,442	8,292–16,268
DCF method	8,298–17,873	8,151–15,930

In the average market share price method, the calculation of stock value was conducted using February 29, 2008, as the base date and adopting the average stock price for the respective periods (simple arithmetic average of closing prices): (a) for six months prior to and including the base date, (b) for three months prior to and including the base date, (c) for two months prior to and including the base date and (d) for one month prior to and including the base date.

No considerable increase or decrease is expected to accrue with regard to the respective profit plans of Itochu Enex, the Petroleum Products Trade Business and the IPCJ Business, all of which were deemed as the premises for the valuations under the DCF method by Nikko Cordial.

Nomura Securities adopted the comparable company analysis method and the DCF method in valuations of the business value of the Petroleum Products Trade Business and the IPCJ Business. Furthermore, in addition to the comparable company analysis method and the DCF method, Nomura Securities adopted for Itochu Enex the average market share price method in valuations of the numbers of shares to be allotted by taking into account the fact that the shares of Itochu Enex are listed on the Tokyo Stock Exchange. Nomura Securities subsequently submitted its calculation results on the numbers of shares to be allotted for the two businesses to ITOCHU. The calculation results on the numbers of shares to be allotted for the respective businesses under each calculation method are as shown below.

Calculation method adopted	Range of valuations in the numbers of shares to be allotted (thousand shares)	
	Petroleum Products Trade Business	IPCJ Business
Comparable company analysis method	7,129–17,320	8,342–15,085
DCF method	8,929–15,015	9,620–15,586

In the average market share price method, the calculation of stock value was conducted using March 7, 2008, as the base date and adopting the closing price on the base date, as well as the average stock price for the respective periods (simple arithmetic average of closing prices): (a) for one week prior to and including the base date, (b) for one month prior to and including the base date and (c) for a period beginning January 31, 2008, which fell on the day following the release date of the nine-month closing accounts of Itochu Enex, and ending the base date.

No considerable increase or decrease is expected to accrue with regard to the respective profit plans of Itochu Enex, the Petroleum Products Trade Business and the IPCJ Business, all of which were deemed as the premises for the valuations under the DCF method by Nomura Securities.

2) Background of the calculations

Itochu Enex and ITOCHU received the calculation results on the numbers of shares to be allotted from their respective third-party assessors. IPCJ also received the calculation results prepared by Nomura Securities by the intermediary of ITOCHU.

After having received the calculation results above, the three companies carefully conducted considerations with reference to the results above and further continued discussions and negotiations with each other while comprehensively taking into account factors such as the financial conditions and the performance projections of the respective companies and the trend in stock prices of Itochu Enex.

As a consequence, the Board of Directors of the respective companies judged that the numbers of shares to be allotted, which are described in Item 2. (3) above, are reasonable and appropriate and therefore attributable to the benefit of shareholders of the respective companies. Then, the three companies have come to enter into the Master Agreement regarding the Demergers through the resolutions adopted at the meetings of their respective Board of Directors held on March 14, 2008.

The calculations results submitted by both Nikko Cordial and Nomura Securities do not intend to express an opinion on fairness (the so-called "Fairness Opinion") regarding the numbers of shares to be allotted in the Demergers.

The numbers of shares to be allotted finally resolved as above may be subject to change through negotiations of the three companies in case any significant change occurs in the terms of the conditions as premises thereof.

3) Relationship with the third-party assessor

Neither Nikko Cordial, which made calculations at the request of Itochu Enex, nor Nomura Securities, which made calculations at the request of ITOCHU, is a Related Party to either Itochu Enex or ITOCHU.

(5) Capital to increase/decrease due to the Demergers: None applicable

(6) Handling of the stock acquisition rights and bonds with stock acquisition rights

Neither ITOCHU nor IPCJ issues stock acquisition rights or bonds with stock acquisition rights.

(7) Rights and obligations to be assumed by the successor company

Itochu Enex will assume the rights and obligations involved in the businesses to be taken over from ITOCHU and IPCJ, including assets and liabilities relating therewith and the relevant contractual statuses that will be determined to be necessary for Itochu Enex in executing said businesses.

(8) Presumption of fulfillment of obligations

Itochu Enex, ITOCHU and IPCJ consider and judge that all the respective obligations, for which the maturity date will come on and after the effective date of the Demergers, are expected to be fulfilled.

3. Summary Information about the Companies Concerned (As of September 30, 2007)

	Companies conducting a demerger		Successor company
Company Name	ITOCHU Corporation	ITOCHU Petroleum Japan Ltd.	Itochu Enex Co., Ltd.
Description of Business	Import & export, third-country trading and domestic sales of textiles, machinery, electronics, metals, chemical products, oil & other energy related items, foodstuffs, foods, forestry products, paper & pulp, rubber and ceramic products and other commodities. Also involved in insurance services, financial services, construction, real estate, warehousing, information & communications businesses	Chartering and operating of tankers, import and sales of marine fuels, trading of lubricating oil, operation of petroleum storage tanks and facilities	1. Sales of petroleum products, LP gas, high-pressure gas and home life-related products 2. Car-related businesses, supply of city gas 3. Development of new energy such as hydrogen energy and DME, etc.
Date of Incorporation	December 1, 1949	January 14, 1983	January 28, 1961
Head Office	Chuo-ku, Osaka	Minato-ku, Tokyo	Meguro-ku, Tokyo
Name and Title of the Representative	Eizo Kobayashi, President and Chief Executive Officer	Noriaki Sasahara, President and CEO	Akira Kodera, Representative Director and President
Capital	¥202,241 million	¥949 million	¥19,877 million
Number of Shares Issued and Outstanding	1,584,889,504 shares	23,110 shares	96,356,583 shares
Net Assets	¥1,030,039 million (Consolidated)	¥27,857 million (Consolidated)	¥83,292 million (Consolidated)
Total Assets	¥5,408,034 million (Consolidated)	¥133,258 million (Consolidated)	¥237,732 million (Consolidated)
Fiscal Year-End	March 31	March 31	March 31
Employees	48,331 (Consolidated)	94 (Consolidated)	2,941 (Consolidated)
Major Shareholders and their Percentage of Shareholdings	Japan Trustee Services Bank, Ltd. (trust account) 5.70% The Master Trust Bank of Japan, Ltd. (trust account) 5.13% Mitsui Sumitomo Insurance Co., Ltd. 3.07% Nippon Life Insurance Company 2.59% Tokio Marine & Nichido Fire Insurance Co., Ltd. 2.51%	ITOCHU Corporation 100%	ITOCHU Corporation 37.15% Japan Trustee Services Bank, Ltd. (trust account) 3.21% The Master Trust Bank of Japan, Ltd. (trust account) 2.86% Enex Fund 2.73% Nippon Life Insurance Company 2.29%
Main Financing	Mizuho Corporate Bank	Sumitomo Mitsui Banking	The Sumitomo Trust &

Bank	Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Sumitomo Trust & Banking Co., Ltd.	Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Citibank Japan Ltd. The Sumitomo Trust & Banking Co., Ltd.	Banking Co., Ltd. Sumitomo Mitsui Banking Corporation Resona Bank Mizuho Corporate Bank
Relationship among the Companies Concerned	Capital	ITOCHU wholly owns IPCJ's issued and outstanding shares. ITOCHU holds approximately 37.15% of the issued and outstanding shares in Itochu Enex.	
	Personnel	ITOCHU has dispatched two Directors and three auditors to IPCJ. One Executive Officer of ITOCHU concurrently serves as part-time Director of Itochu Enex.	
	Business	Itochu Enex conducts the overall energy business in Japan and overseas cooperating with ITOCHU and IPCJ. ITOCHU procures marine fuels and vessels from IPCJ.	
	Status	Itochu Enex is ITOCHU's equity-method company and IPCJ is ITOCHU's wholly owned subsidiary.	

Consolidated Financial Results for the past three fiscal years

(1) Companies conducting the demergers

(Millions of yen, except per share data)

	ITOCHU Corporation (Consolidated)			ITOCHU Petroleum Japan Ltd. (Consolidated)		
	2005	2006	2007	2005	2006	2007
Year Ended March 31						
Net Sales	9,576,039	10,473,885	11,579,059	813,676	1,090,206	1,293,481
Operating Income	157,740	193,389	264,621	1,125	2,009	3,354
Ordinary Income	119,958	216,869	300,230	1,417	2,875	3,796
Net Income	77,792	145,146	177,059	356	2,467	3,455
Net Income per Share (yen)	49.16	91.74	111.95	14,832.62	106,782.08	149,489.83
Dividends per Share (yen)	7.00	9.00	14.00	8,655	30,291	21,636
Net Assets per Share (yen)	322.54	459.74	566.78	136,418.09	246,245.48	862,508.31

Note: ITOCHU has prepared its consolidated financial statements based on U.S. GAAP, thus presenting its income before income taxes as ordinary income in the table above.

(2) Successor company

(Millions of yen, except per share data)

	Itochu Enex Co., Ltd. (Consolidated)		
	2005	2006	2007
Year Ended March 31			
Net Sales	635,230	771,894	886,483
Operating Income	6,826	6,824	7,934
Ordinary Income	8,678	8,576	8,748
Net Income (Loss)	(4,083)	4,661	4,987
Net Income (Loss) per Share (yen)	(46.56)	49.70	55.04
Dividends per Share (yen)	12.00	16.00	16.00
Net Assets per Share (yen)	808.10	864.11	889.52

4. Outline of the Business Divisions to be Demerged

(1) Description of the business of the divisions to be demerged

Petroleum Products Trade Business: domestic sale and export/import businesses, in which Japan is a business base, of petroleum products (e.g., kerosene, gas oil) engaged in by ITOCHU's Energy Trade Division.

IPCJ Business: logistics business for petroleum products engaged in by IPCJ for the chartering and operating of tankers, the supply of marine fuels, the operation of petroleum storage tanks and trading of lubricating oil (except ITOCHU Petroleum Co., (Singapore) Pte. Ltd., IPCJ's wholly owned company).

(2) Business results in the divisions to be demerged (Year ended March 31, 2007)

1. Petroleum Products Trade Business (Millions of yen)

	Petroleum Products Trade Business (a)	ITOCHU Corporation (Nonconsolidated) (b)	Ratio (a/b)
Total Trading Transactions	392,412	5,935,058	6.6%
Gross Trading Profit	2,678	157,917	1.7%
Trading Income	1,859	37,368	5.0%
Ordinary Income	1,579	108,873	1.5%

2. IPCJ Business (Millions of yen)

	IPCJ Business (a)	IPCJ (Nonconsolidated) (b)	Ratio (a/b)
Net Sales	101,264	101,264	100%
Gross Profit	1,800	1,800	100%
Operating Income	1,167	1,167	100%
Ordinary Income	1,010	1,010	100%

(3) Amounts for the items of assets and liabilities to be demerged (as of September 30, 2007)

1. Petroleum Products Trade Business (Millions of yen)

Assets		Liabilities	
Item	Book value	Item	Book value
Current Assets	26,252	Current Liabilities	26,174
Property and Equipment	97	Long-Term Liabilities	170
Total	26,349	Total	26,344

2. IPCJ Business (Millions of yen)

Assets		Liabilities	
Item	Book value	Item	Book value
Current Assets	14,422	Current Liabilities	14,006
Property, Plant and Equipment	1,920	Long-Term Liabilities	255
Total	16,342	Total	14,261

The above items and book values are as of September 30, 2007, and may differ from the exact amounts that will actually be demerged.

5. Status after the Demergers and Succession

(1) Company Name	ITOCHU Corporation	Itochu Enex Co., Ltd.
(2) Description of Business	Import & export, third-country trading and domestic sales of textiles, machinery, electronics, metals, chemical products, oil & other energy related items, foodstuffs, foods, forestry products, paper & pulp, rubber and ceramic products and other commodities. Also involved in insurance services, financial services, construction, real estate, warehousing, information & communications businesses	<ol style="list-style-type: none"> 1. Sales of petroleum products, LP gas, high-pressure gas and home life-related products 2. Car-related businesses, supply of city gas 3. Development of new energy such as hydrogen energy and DME, etc. 4. Import/export of petroleum products (e.g., kerosene and gas oil), chartering and operating of tankers, import and sales of marine fuels, trading for lubricating oil, operation of petroleum storage tanks and facilities
(3) Head Office	Chuo-ku, Osaka	Meguro-ku, Tokyo
(4) Name and Title of the Representative	Eizo Kobayashi, President and Chief Executive Officer	Akira Kodera, Representative Director and President
(5) Capital	¥202,241 million	¥19,877 million
(6) Fiscal Year-End	March 31	March 31
(7) Overview of Accounting Procedures	<ol style="list-style-type: none"> 1. Nonconsolidated: Account settled in accordance with “Accounting standard for Business Divestitures and Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.” The employment of the accounting standards has no impact on the nonconsolidated statements of operations. 2. Consolidated (U.S. GAAP): Difference between the equity of net assets of Petroleum Products Trade Business and IPCJ Business, to be succeeded to Itochu Enex, and current price of Itochu Enex’s shares is recognized as loss or gain. 	Because the demerger is regarded as a reverse acquisition based on the Accounting Standard Concerning Corporate Mergers, it is treated using the Pooling-of-Interests method.

<p>(8) Expected Impact on Financial Results</p>	<p>The impact of the demerger on financial results is expected to be insignificant.</p>	<p>The impact of the demerger on financial results will be announced in the “Forecast Consolidated Results for the Year Ending March 31, 2009,” which will be included in the “Business Results for the Year Ended March 31, 2008,” to be released in early May 2008.</p>
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