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Itoham Foods Inc.

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Securities exchange code: 2284 (Tokyo and Osaka stock exchanges)

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Itoham To Establish Joint Venture Company in China

Itoham Foods Inc. (Head office: Nishinomiya, Hyogo Prefecture; President: Masami Ito) signed a joint venture contract on September 9th with three partners to establish Itoham Foods Beijing Co.,Ltd. The other three companies are Jiangsu Yurun Food Industry Group Co. of Nanjing, Mitsui & Co., Ltd., and Mitsui & Co. (China) Ltd. Itoham will apply to the Chinese government in October for authorization to establish a new company. On approval of this application, Itoham will become the first company in the Japanese ham and sausage industry to launch full-scale production and sale of products of its own brand in China.

Although the diffusion rate for refrigerators exceeds 100% in Chinese coastal areas and metropolitan districts, most ham and sausage products in China are still distributed at room temperature using a retorting process. The ham and sausage to be manufactured and sold by the joint venture company will be chilled for distribution. Itoham expects these products to achieve significant growth as customer preferences swing to Western-style ham and sausage in conjunction with the globalization of eating habits, driven primarily by the younger generation.

In response to these changes in the market climate, Itoham began providing technical guidance to Jiangsu Yurun in August 2002. Jiangsu Yurun launched production of Itoham brand products at its plant in Beijing's Tongzhou district and conducted test sales in supermarkets in the Beijing area. Furthermore, the plant for Itoham products, located next to Jiangsu Yurun's plant, began operation in July 2003. This plant is planned to be leased to the joint venture company.

In addition to boosting the sale of Itoham brand products in China, the establishment of this joint venture company will enable Itoham to expand sales to the Japanese commercial market by importing these competitively-priced products from China.

Overview of Itoham Foods Beijing Co.,Ltd

Capitalization: \$US 2.8 million

Investment ratio:

Itoham Foods Inc.: 60%

Beijing Yurun Food Co.,Ltd: 25%

Mitsui & Co., Ltd.: 5%

Mitsui & Co. (China) Ltd.: 10%

Sales region: Beijing and other major cities

Sales volume (anticipated): Production of 2,100 tons and sales of 70 million yuan for the year ending December 2007