

Notice of Approval of Basic Policy to Establish an Internal Control System

At a meeting on May 16, 2006, the Board of Directors approved a basic policy to establish an internal control system at Nippon Flour Mills Co., Ltd. (president: Masataka Horikawa). Details are as follows.

1. Storage and management systems for information relating to the performance of duties by directors
Minutes shall be kept of all discussions undertaken by the Board of Directors. Minutes shall then be stored and managed so as to ensure that information relating to decisions regarding the performance of important duties can be easily retrieved.
2. Regulatory and other systems relating to loss risk management
 - (1) Systems shall be developed to analyze and evaluate the frequency and severity of risks affecting company operations in order to ascertain and manage risks.
 - (2) In the event of a crisis that could potentially have a serious impact on the running of the company, the matter shall be handled quickly and appropriately in accordance with the Basic Crisis Management Regulations, which stipulate the establishment of a Crisis Management Committee headed by the company president amongst other things, in order to minimize losses.
3. Systems to ensure that directors perform their duties efficiently
Important matters relating to the running of the company should be determined by the Board of Directors. Investments and loans should be prioritized from a financial standpoint by an Investments and Loans Committee and put to the Board of Directors once all issues have been resolved from an overall management standpoint by a Management Committee consisting of Executive Directors and more senior personnel.
4. Systems to ensure that directors and employees perform their duties in accordance with laws, regulations and articles of incorporation
 - (1) A Code of Conduct outlining a vision for the company and a set of Action Guidelines detailing specific rules of conduct to be complied with in order to

implement the Code of Conduct shall be drawn up and distributed to all directors and employees. Training shall also be organized as and when necessary.

- (2) In order to prevent unethical conduct or conduct that does not comply laws or regulations, such as violations of the law or internal irregularities, or to detect and rectify such conduct as soon as possible, a Corporate Ethics Helpline shall be set up and operated to enable employees to seek advice or report any problems.
 - (3) Headquarters shall be structured into business divisions responsible for conducting business and corporate staff responsible for verifying legal compliance in order to ensure that business is conducted appropriately and that responsibilities are clarified.
 - (4) An Auditor Department shall be set up to verify that operations are carried out in line with decisions made by the Board of Directors and authorized by the Representative Directors and to outline ways to improve problem areas.
5. Systems to ensure that the company and the corporate group consisting of its parent company and subsidiaries perform their duties appropriately
- (1) Group companies shall be required to seek the approval of and report to Nippon Flour Mills with regard to important matters.
 - (2) Group company auditors will be required to work in cooperation with auditors at Nippon Flour Mills to enable audits to be conducted efficiently
6. Systems relating to employees assigned to assist an auditor with their duties if requested by the auditor
- (1) Employees shall be assigned to assist an auditor with their duties in consultation with the auditor.
 - (2) Employees assigned to assist an auditor with their duties shall work under the supervision of the auditor.
7. Matters relating to the independence of the aforementioned employees from directors (see above paragraph)
- (1) The transfer of employees assigned to assist an auditor with their duties shall be approved by the Board of Auditors.
 - (2) Evaluations of employees assigned to assist an auditor with their duties shall be conducted in consultation with the auditor.

8. Systems to enable directors and employees to report to the Board of Auditors or an auditor and other systems relating to reporting to an auditor
 - (1) An auditor may attend meetings of the Board of Directors and express opinions. Directors and operating officers shall attend board meetings in which the performance of the duties for which they are responsible is reported in order to obtain information regarding the performance of company operations.
 - (2) Matters in which there is a risk of the company sustaining significant losses shall be reported to an auditor.
 - (3) The contents of reports made to the Corporate Ethics Helpline shall be reported to an auditor.

9. Other systems to ensure that audits are conducted effectively

Auditors shall visit business premises to conduct audits in accordance with audit plans. Each business premises shall provide full cooperation and directors and employees shall respond to the auditors' questions.