

Nippon Flour Mills Establishes Local Subsidiary in Los Angeles for Sales of Institutional Ingredients and Processed Foods

Tokyo, May 19, 2006—Nippon Flour Mills Co., Ltd. (president: Masataka Horikawa) is pleased to announce the establishment of a local subsidiary in Los Angeles called NIPPON California Inc. (NC) to expand group sales of institutional ingredients and processed food products in the west coast area of North America.

The Nippon Flour Mills Group's business activities in North America date back to 1991 when it invested in Quality Naturally! Foods Inc. (QNF, 50% Nippon Flour Mills) with the aim of manufacturing and selling premix products in Los Angeles. The group then went on to acquire Pasta Montana LLC (PM) in the state of Montana in 2000. Both companies have since expanded their operations, with QNF starting to supply ingredients to leading U.S. donut chain Winchell's in 2004 and PM acquiring the commercial rights and production facilities belonging to west coast firm Cost Macaroni Mfg. Co. in 2005. The likes of Japanese trading companies along the West Coast area also procure institutional ingredients and processed foods from Nippon Flour Mills Group for sale on the Japanese and Asian markets. With the rapidly growing popularity of oriental food in the United States in recent years however, especially along the West Coast, Nippon Flour Mills decided that it was time to establish a new company to respond to trends in the market such as these. The NC offices will be located in the same building as the Los Angeles branch of PM. By stepping up cooperation with the likes of PM and QNF and undertaking a comprehensive range of business activities, including collecting information, NC will help expand the Nippon Flour Mills Group's market even further.

[Overview of the new company]

1. Name NIPPN California Inc.
2. Location Los Angeles, California (USA)
3. Capital \$400,000 (100% NIPPN USA Inc., a 100% subsidiary of Nippon Flour Mills)
4. Representative Hiroshi Suzuki (Deputy General Manager, International Administration Division, Foods Business Department, Nippon Flour Mills)
5. Business activities Sale of Nippon Flour Mill Group products on the North American market
6. Annual business Commencement of operations \$2 million (first year)
7. Commencement of operations Around June 2006



▲ Nippon Flour Mills Group bases in North America

(from left) The building housing NC and the Los Angeles branch of PM, PM, QNF

Nippon Flour Mills established an International Administration Division as part of its Foods Business Department during structural reforms undertaken on April 1 of last year to strengthen the company's overseas operations. It plans to appoint a director in charge of North American operations in the near future. The Nippon Flour Mills Group intends to continue to promote the expansion and strengthening of sales from its bases in both the Asian and U.S. markets in order to sustain growth, with target sales from overseas business totaling ¥10 billion in two years' time.