

January 31, 2005

Bringing Nature to Your Table

**Itoham Signs Exclusive Distribution Agreement with Fonterra
Co-operative Group, the World's Biggest Exporter of Cheese**

Itoham Foods Inc. (Head Office: Nishinomiya City, Hyogo Prefecture; President: Masami Ito) today signed an exclusive distribution agreement with New Zealand Milk Limited (“NZM”) relating to cheese for the consumer market. NZM is the consumer business of Fonterra Co-operative Group, a dairy industry multinational based in New Zealand. The cheese will be introduced to the Japanese market alongside NZM’s products for the food service market.

Fonterra is a co-operative comprising 12,144 New Zealand dairy farmers who own shares in the company. Established in October 2001 as a result of integration in the dairy industry, Fonterra is a vast organization that processes around 95% of the country’s raw milk. It sells dairy products in over 140 countries around the world and processes approximately 14 billion liters of milk annually, making it the second largest dairy company in the world in terms of volume of milk processed*. It leads the world cheese export market with a 25% share.

The Fonterra Group comprises, among other companies, Fonterra Ingredients in its Ingredients Segment, and NZM in its Consumer Segment. Itoham will import and distribute dairy products produced by Mainland Products Ltd (“MPL”), NZM’s core business, which manufactures cheese for the consumer and food services markets. The products will be marketed under the *Mainland* brand.

The milk used to manufacture MPL’s cheeses is collected from dairy cows raised in the great outdoors of New Zealand, a country of such biodiversity that it has been called “the World’s Ark.” These naturally healthy cows graze only on unspoilt pasture free of pesticides and genetic modification. The cheeses thus produced are exceptional and have earned

the approval and trust of consumers throughout the world. They boast a mellowness and complexity of flavor that only reliable and safe natural ingredients, traditional manufacturing techniques and high-level quality control can produce.

Under this new agreement, Itoham will distribute only natural cheeses. Until now, heat-treated processed cheeses have been the norm in the Japanese market, but with the recent wine boom and increasing popularity of foods using cheese as an ingredient, the consumption of natural cheese has become more mainstream. Total cheese consumption in Japan was 255,889 tons during fiscal 2003, a 2.6% increase over the previous year, and the first year-on-year increase in three years. Of this total, consumption of natural cheese accounted for 136,486 tons, a 4.4% increase over the previous year, while consumption of processed cheese totaled 119,403 tons, a 0.6% increase. These figures show that natural cheese is driving the overall rise in cheese consumption. Itoham is convinced that MLP's natural cheeses, which will be marketed under the *Bringing Nature to Your Table* banner, will introduce a new dimension to the Japanese cheese market.

Itoham currently generates annual sales of ¥4.5 billion from cheese and other dairy products, principally produced by France's Bel Group. Through the conclusion of this exclusive distribution agreement with Fonterra, combined with increased efforts in promotional activities and investment in new products, Itoham is targeting annual sales of ¥10 billion.

*The largest dairy company in the world is DFA of the U.S.A. (Source: The Dairy Industry Newsletter)