

July 28, 2004

Consolidated Financial Results for the First Quarter of FY2005

Nippon Flour Mills Co., Ltd.

(URL <http://www.nippon.co.jp>)

Code Number: 2001

Listing: Tokyo Stock Exchange, Osaka Securities Exchange and Sapporo Securities Exchange

Representative: Masataka Horikawa, President and Representative Director

Contact: Yuzo Honda, General Manager of Communications Div.

TEL: 03-3350-3900

1. Matters Concerning Preparation of the Outline of the Consolidated Quarterly Financial Results

- (1) Difference in the accounting method from the method applied for the most recent fiscal year:
Not applicable
- (2) Change in the scope of consolidation and application of the equity method:
Newly consolidated subsidiaries: 1 (Excluded from consolidation: None)
Newly included under equity method: None (Excluded under equity method: 1)

2. Consolidated Results for the First Quarter of FY 2005 (April 1, 2004-June 30, 2004)

**Amounts under one million yen have been rounded down.*

(1) Business Results

(Millions of yen, except for per share figures)

| | Net Sales | | Operating Income | | Ordinary Income | |
|-------------------------|-----------|------|------------------|-------|-----------------|-------|
| First Quarter of FY2005 | 56,380 | 9.1% | 2,122 | 28.3% | 2,085 | 36.4% |
| First Quarter of FY2004 | 51,682 | - | 1,653 | - | 1,528 | - |
| [Reference] FY2004 | 215,777 | | 7,443 | | 6,585 | |

| | Net Income | | Net Income per Share (Yen) | Fully Diluted Net Income per Share (Yen) |
|-------------------------|------------|-------|----------------------------|--|
| First Quarter of FY2005 | 1,204 | 48.0% | 7.16 | — |
| First Quarter of FY2004 | 814 | - | 4.84 | — |
| [Reference] FY2004 | 4,606 | | 27.25 | |

Note: Numbers in percentage points alongside net sales, operating income, ordinary income, and net income indicate percentage increase/decrease from the same period of the previous year.

Qualitative information on consolidated operating results

During the first quarter of the year ending March 31, 2005, despite indications that a recovery of the Japanese economy was under way led by improved corporate earnings and rising capital investment, a decisive upturn in personal consumption did not materialize. Selling prices continued to decline in a deflationary economy and competition intensified. In this severe environment, Nippon Flour Mills Group sought to increase sales and profits by strengthening quality control in order to ease consumers' growing concerns about food safety, while also making a matching effort to reduce costs and engaging in vigorous

marketing.

Consolidated net sales during the first quarter were ¥56,380 million, an increase of 9.1% compared with the same period of the previous year, operating income rose 28.3% to ¥2,122 million, ordinary income soared 36.4% to ¥2,085 million, and net income surged 48.0% to ¥1,204 million.

In flour milling, while growth in demand for wheat flour remains sluggish, competition among companies further intensified due to the increase in imports of products prepared from wheat flour and secondary processed products. Also, in line with the reduction of the government-controlled selling price of flour as a raw material in February 2004, flour milling companies reduced their selling prices of flour. A business environment is changing drastically. Nippon Flour Mills Group promoted proposal-driven marketing and cultivated new markets. Sales of wheat flour were about the same level as in the same period of the previous year. Sales of bran, a by-product of flour milling, were higher than in the same period of the previous year, reflecting the robust market. As a result, sales of the flour milling operation were ¥21,526 million, an increase of 1.5% compared with the same period of the previous year.

In the food operation in addition to redoubling efforts to develop and propose distinctive new products precisely addressing consumer needs, we engaged in vigorous marketing. At the same time, we worked to increase profitability through rigorous cost reduction and sales management initiatives. While sales of premix and pasta products remains flat from the same period of the previous year, sales of frozen ingredients and foods were higher than for the same period of the previous year thanks to strong sales of products for restaurants. Sales of deli products rose due to brisk sales of products for convenience store chains. As a result, sales of the food operation increased 19.9% compared with the same period of the previous year to ¥28,265 million, with an increase in the number of consolidated subsidiaries also contributing to this improvement.

Regarding other businesses, while sales of pet foods and food-service-related sales increased, sales of natural cosmetics were sluggish and lower than the level for the same period of the previous year. Sales of the biotechnology business were virtually unchanged. As a result, sales of other businesses were ¥6,588 million, a decrease of 4.4%.

(2) Financial Position

(Millions of yen, except for per share figures)

| | Total Assets | Shareholders' Equity | Equity Ratio (%) | Shareholders' Equity per Share (Yen) |
|-------------------------|--------------|----------------------|------------------|--------------------------------------|
| First Quarter of FY2005 | 175,148 | 80,753 | 46.1 | 479.88 |
| First Quarter of FY2004 | 153,161 | 68,481 | 44.7 | 406.76 |
| [Reference] FY2004 | 172,359 | 80,525 | 46.7 | 478.17 |

(3) Cash Flows

(Millions of yen)

| | Cash Flows from Operating Activities | Cash Flows from Investing Activities | Cash Flows from Financing Activities | Cash and Cash Equivalents at Term-End |
|-------------------------|--------------------------------------|--------------------------------------|--------------------------------------|---------------------------------------|
| First Quarter of FY2005 | 1,532 | (1,474) | (5,231) | 10,126 |
| First Quarter of FY2004 | 2,585 | (1,240) | (1,174) | 9,882 |
| [Reference] FY2004 | 8,871 | (3,402) | 188 | 15,308 |

Qualitative information on changes in the consolidated financial position

At the end of the first quarter of the current year, total assets increased ¥2,788 million compared to the end of the previous fiscal year, while shareholders' equity increased ¥227 million. These increases were mainly attributable to the fact that one subsidiaries added into the scope of consolidation.

Net cash provided by operating activities amounted to ¥1,532 million. While income before income taxes totaled ¥2,105 million and income taxes paid amounted to ¥2,300 million, the principal items contributing to cash inflows were collection of notes and accounts receivable and reduction of inventories as well as lower interest expenses due to repayment of debt.

Net cash used in investing activities was ¥1,474 million. The principal item was purchase of fixed assets.

Net cash used in financing activities totaled ¥5,231 million. The principal items were redemption of bonds amounting to ¥5.0 billion and cash dividends paid amounting to ¥0.5 billion.

3. Forecast of the Consolidated Financial Results for FY 2005 (April 1, 2004-March 31, 2005)

(Millions of yen, except for per share figures)

| | Net Sales | Operating Income | Ordinary Income | Net Income | Net Income per Share (Yen) |
|----------------------|-----------|------------------|-----------------|------------|----------------------------|
| First Half of FY2005 | 115,000 | 3,700 | 3,500 | 2,300 | 13.67 |
| Full year | 231,000 | 8,000 | 7,500 | 4,700 | 27.93 |

Qualitative information on forecasts

Although the Group's results for the first quarter of the current year were robust, management anticipates the Group's operating environment to remain challenging. Therefore, the forecasts for the six-month period and the full year for the year ending March 31, 2005, have not been revised from the initial forecasts announced on May 18, 2004.

Consolidated Financial Statements for the First Quarter Ended June 30, 2004

Consolidated Balance Sheets

(Millions of yen)

| | First Quarter of FY2005 As of June 30, 2003 | FY2004 As of March 31, 2004 | Increase (Decrease) | First Quarter of FY2004 As of June 30, 2004 | | First Quarter of FY2005 As of June 30, 2004 | FY2004 As of March 31, 2003 | Increase (Decrease) | First Quarter of FY2004 As of June 30, 2004 |
|---|--|--------------------------------|---------------------|--|---|--|--------------------------------|---------------------|--|
| Assets | | | | | Liabilities | | | | |
| Current assets: | | | | | Current liabilities: | | | | |
| Cash and time deposits | 10,126 | 15,308 | (5,182) | 9,882 | Trade notes and accounts payable | 11,145 | 9,398 | 1,746 | 8,610 |
| Trade notes and accounts receivable | 25,869 | 18,521 | 7,347 | 20,617 | Short-term loans | 22,100 | 19,673 | 2,427 | 22,242 |
| Inventories | 14,718 | 15,286 | (568) | 13,658 | Current portion of bonds | - | 5,000 | (5,000) | 5,000 |
| Deferred income taxes | 702 | 843 | (140) | 620 | Income taxes | 961 | 2,577 | (1,615) | 571 |
| Other current assets | 2,893 | 2,912 | (19) | 3,783 | Others | 14,038 | 8,348 | 5,690 | 12,445 |
| Allowance for doubtful accounts | (152) | (115) | (36) | (72) | Total current liabilities | 48,246 | 44,998 | 3,248 | 48,871 |
| Total current assets | 54,156 | 52,756 | 1,400 | 48,490 | Long-term liabilities: | | | | |
| Fixed assets: | | | | | Bonds | 5,500 | 5,500 | - | 5,000 |
| Tangible fixed assets: | | | | | Long-term debt | 20,057 | 21,637 | (1,579) | 14,519 |
| Buildings and structures | 22,688 | 22,807 | (119) | 23,442 | Reserve for employee retirement benefits | 3,060 | 3,150 | (90) | 5,996 |
| Machinery, equipment and vehicles | 17,027 | 16,806 | 220 | 17,718 | Reserve for directors' retirement benefits | 589 | 631 | (41) | 512 |
| Land | 26,955 | 26,597 | 357 | 25,505 | Deferred tax liabilities | 13,568 | 13,072 | 495 | 7,026 |
| Construction in progress | 648 | 549 | 99 | 123 | Other liabilities | 1,712 | 1,679 | 33 | 1,760 |
| Others | 921 | 897 | 23 | 843 | Total long-term liabilities | 44,488 | 45,670 | (1,181) | 34,814 |
| Total tangible fixed assets | 68,241 | 67,658 | 582 | 67,632 | Total liabilities | 92,735 | 90,668 | 2,066 | 83,686 |
| Intangible fixed assets | 585 | 566 | 19 | 646 | Minority interests | 1,659 | 1,165 | 494 | 994 |
| Investments and other assets: | | | | | Shareholders' equity | | | | |
| Investment in securities | 47,577 | 47,895 | (318) | 32,109 | Common stock | 12,240 | 12,240 | - | 12,240 |
| Long-term loan receivable | 622 | 626 | (4) | 681 | Additional capital surplus | 11,053 | 11,053 | 0 | 10,666 |
| Deferred income taxes | 1,033 | 449 | 584 | 991 | Retained earnings | 42,416 | 41,784 | 631 | 39,315 |
| Others | 3,330 | 2,807 | 523 | 3,086 | Unrealized gains on investment in securities | 16,726 | 17,018 | (291) | 8,420 |
| Allowance for doubtful accounts | (400) | (400) | (0) | (476) | Foreign Currency translation adjustment | (71) | 40 | (112) | 157 |
| Total investments and other assets | 52,163 | 51,378 | 785 | 36,392 | Treasury stock, at cost | (1,612) | (1,611) | (0) | (2,319) |
| Total fixed assets | 120,991 | 119,603 | 1,387 | 104,671 | Total Shareholders' equity | 80,753 | 80,525 | 227 | 68,481 |
| Total assets | 175,148 | 172,359 | 2,788 | 153,161 | Total liabilities, minority interests and shareholders' equity | 175,148 | 172,359 | 2,788 | 153,161 |

Consolidated Statements of Income

(Millions of yen)

| | First Quarter of FY2005 From Apr. 1, 2004 To June 30, 2004 | | First Quarter of FY2004 From Apr. 1, 2003 To June 30, 2003 | | Increase (Decrease) | | [Reference] FY2004 | |
|--|---|------------|---|------------|------------------------|-------------|-----------------------|------------|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio | Amount | % |
| Net sales | 56,380 | 100.0 | 51,682 | 100.0 | 4,698 | 9.1 | 215,777 | 100.0 |
| Cost of sales | 42,286 | 75.0 | 38,728 | 74.9 | 3,558 | 9.2 | 161,885 | 75.0 |
| Gross profit | 14,093 | 25.0 | 12,953 | 25.1 | 1,140 | 8.8 | 53,892 | 25.0 |
| Selling, general and administrative expenses | 11,971 | 21.2 | 11,300 | 21.9 | 671 | 5.9 | 46,448 | 21.5 |
| Operating income | 2,122 | 3.8 | 1,653 | 3.2 | 468 | 28.3 | 7,443 | 3.4 |
| Other income: | | | | | | | | |
| Interest income | 11 | | 12 | | (0) | | 54 | |
| Dividend income | 317 | | 270 | | 46 | | 373 | |
| Gain on sale of securities | 11 | | - | | 11 | | 248 | |
| Equity in earnings of companies accounted for by the equity method | 24 | | 35 | | (10) | | 193 | |
| Others | 169 | | 97 | | 71 | | 705 | |
| Total other income | 534 | 0.9 | 415 | 0.8 | 118 | 28.6 | 1,575 | 0.8 |
| Other expenses: | | | | | | | | |
| Interest expenses | 232 | | 251 | | (19) | | 1,079 | |
| Others | 338 | | 288 | | 49 | | 1,353 | |
| Total other expenses | 571 | 1.0 | 540 | 1.0 | 30 | 5.7 | 2,433 | 1.1 |
| Ordinary income | 2,085 | 3.7 | 1,528 | 3.0 | 556 | 36.4 | 6,585 | 3.1 |
| Extraordinary income | - | - | - | - | - | - | 3,195 | 1.4 |
| Extraordinary losses | - | - | - | - | - | - | 1,366 | 0.6 |
| Income before income taxes | 2,085 | 3.7 | 1,528 | 3.0 | 556 | 36.4 | 8,414 | 3.9 |
| Income taxes | 691 | | 598 | | 92 | | 3,145 | |
| Deferred income taxes | 182 | | 15 | | 167 | | 540 | |
| Minority interest | 6 | | 100 | | (94) | | 122 | 0.1 |
| Net income | 1,204 | 2.1 | 814 | 1.6 | 390 | 48.0 | 4,606 | 2.1 |

Consolidated Statements of Cash Flows

(Million of yen)

| | First Quarter of FY2005 From Apr. 1, 2004 To June 30, 2004 | First Quarter of FY2004 From Apr. 1, 2003 To June 30, 2003 | [Reference] FY2004 |
|---|--|--|-----------------------|
| Cash flows from operating activities | | | |
| Income before income taxes | 2,085 | 1,528 | 8,414 |
| Depreciation and amortization | 1,219 | 1,256 | 5,068 |
| Amortization of consolidation adjustments accounts | 1 | 4 | 5 |
| Decrease in reserve for employee retirement benefits | (138) | (45) | (198) |
| Increase (Decrease) in reserve for directors' retirement benefits | (41) | 22 | 140 |
| Gain on establishment of retirement benefit trust fund | - | - | (2,243) |
| Increase (Decrease) in allowance for doubtful accounts | 3 | (1) | (210) |
| Interest and dividend income | (328) | (283) | (427) |
| Interest expenses | 232 | 251 | 1,079 |
| Gain on sale of securities | (11) | - | (1,068) |
| Loss on devaluation of securities | - | - | 400 |
| Equity in earnings of companies accounted for by equity method | (24) | (35) | (193) |
| Foreign exchange (gain) loss | (29) | 10 | 238 |
| Gain on sale of fixed assets | - | - | (132) |
| Loss on disposal of fixed assets | 32 | 29 | 459 |
| Bonuses paid to directors and statutory auditors | (67) | (52) | (52) |
| (Increase) Decrease in notes and accounts receivable | 1,212 | 518 | 344 |
| Decrease in inventories | 691 | 702 | 660 |
| Increase (Decrease) in notes and accounts payable | (852) | 472 | 67 |
| Increase (Decrease) in consumption taxes payable | (55) | 158 | 17 |
| (Increase) Decrease in other receivables | 4 | (702) | (198) |
| Decrease in other payables | (141) | (482) | (15) |
| Sub-total | 3,790 | 3,352 | 10,835 |
| Interest and dividends received | 314 | 283 | 427 |
| Interest paid | (264) | (348) | (1,061) |
| Payments for income taxes | (2,308) | (701) | (1,329) |
| Net Cash provided by operating activities | 1,532 | 2,585 | 8,871 |
| Cash flows from investing activities | | | |
| Proceeds from sale and redemption of securities | - | - | 330 |
| Purchase of fixed assets | (1,464) | (841) | (3,492) |
| Proceeds from sale of fixed assets | - | - | 143 |
| Purchase of investments in securities | (470) | (433) | (5,185) |
| Proceeds from sale and redemption of investments in Securities | 217 | - | 3,690 |
| Proceeds from acquisition of shares of subsidiaries in line with change in the scope of consolidation | 325 | - | 536 |
| Lending of loans receivable | (17) | (36) | (33) |
| Collection of loans receivable | 13 | 14 | 51 |
| Others, net | (78) | 56 | 555 |
| Net cash used in investing activities | (1,474) | (1,240) | (3,402) |
| Cash flows from financing activities | | | |
| Net decrease of short-term loans | 292 | (250) | (2,199) |
| Net increase (decrease) of commercial paper | 6,000 | 4,000 | (1,000) |
| Proceeds from long-term debt | 84 | 50 | 9,161 |
| Repayments of long-term debt | (98) | (332) | (5,392) |
| Proceeds from issuance of corporate bonds | - | - | 500 |
| Payment for redemption of corporate bonds | (5,000) | - | - |
| Decrease in proceeds from liquidation of receivables | (6,000) | (4,000) | - |
| Proceeds from stock issuance of subsidiaries | (0) | (131) | (854) |
| Retirement of treasury stock | 0 | - | 993 |
| Cash dividends paid | (508) | (509) | (1,020) |
| Net cash used in financing activities | (5,231) | (1,174) | 188 |
| Effect of exchange rate changes on cash and cash equivalents | (8) | 2 | (58) |
| Increase in cash and cash equivalents | (5,182) | 172 | 5,598 |
| Cash and cash equivalents at beginning of the term | 15,308 | 9,709 | 9,709 |
| Cash and cash equivalents at end of the term | 10,126 | 9,882 | 15,308 |

Segment Information

1) Business Segment Information

First Quarter of FY2005 (From April 1, 2004 to June 30, 2004)

(Millions of yen)

| | Flour Milling | Foodstuff | Others | Total | Unallocated and Eliminations | Consolidated |
|---|---------------|-----------|--------|--------|------------------------------|--------------|
| Net sales and operating income | | | | | | |
| Net sales | | | | | | |
| 1) Net sales to external customers | 21,526 | 28,265 | 6,588 | 56,380 | - | 56,380 |
| 2) Internal sales or transfers between segments | 1,310 | 843 | 744 | 2,897 | (2,897) | - |
| Total | 22,837 | 29,108 | 7,332 | 59,278 | (2,897) | 56,380 |
| Operating expenses | 21,529 | 28,269 | 7,330 | 57,130 | (2,872) | 54,258 |
| Operating income | 1,307 | 839 | 1 | 2,148 | (25) | 2,122 |

- Notes: 1. Business segmentation method
Business segmentation is based on considerations of similarities between product types and markets.
2. Classification of main products by business segment

| Business Segment | Main Products |
|------------------|---|
| Flour Milling | Wheat flour, bran, buckwheat |
| Foodstuff | Wheat flour for home use, premixes, pasta, frozen food, deli foods |
| Others | Pet food, health foods, food-related machinery and equipment, foodservice |

3. No unallocated operating expenses are included in the Unallocated and eliminations category.

[Reference] First Quarter of FY2004 (From April 1, 2003 to June 30, 2003)

(Millions of yen)

| | Flour Milling | Foodstuff | Others | Total | Unallocated and Eliminations | Consolidated |
|---|---------------|-----------|--------|--------|------------------------------|--------------|
| Net sales and operating income | | | | | | |
| Net sales | | | | | | |
| 1) Net sales to external customers | 21,205 | 23,583 | 6,892 | 51,682 | - | 51,682 |
| 2) Internal sales or transfers between segments | 912 | 642 | 481 | 2,036 | (2,036) | - |
| Total | 22,118 | 24,225 | 7,374 | 53,718 | (2,036) | 51,682 |
| Operating expenses | 21,256 | 23,556 | 7,251 | 52,064 | (2,036) | 50,028 |
| Operating income | 861 | 669 | 122 | 1,653 | (0) | 1,653 |

2) Geographically Segmented Information

Because net sales and assets for Japan exceed 90% of aggregate net sales and assets for all segments, geographically segmented information is omitted.

3) Overseas Sales

Because overseas sales account for less than 10% of consolidated net sales, overseas net sales are omitted.