

Consolidated Financial Results for the Year Ended March 31, 2005

Nippon Flour Mills Co., Ltd.

Listing: Tokyo Stock Exchange, Osaka Securities Exchange, Sapporo Securities Exchange
Code Number: 2001 (URL <http://www.nippon.co.jp>)

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Date of Board Meeting for Consolidated Settlement: May 17, 2005

Application of US Financial Accounting Standards: None

1. Consolidated Results for the Year Ended March 31, 2005 (Apr. 1, 2004 – Mar. 31, 2005)

**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	
FY2005	224,360	(4.0%)	8,158	(9.6%)	7,605	(15.5%)
FY2004	215,777	(7.1%)	7,443	(47.1%)	6,585	(47.3%)

	Net Income		Net Income per Share (Yen)	Diluted Net Income per Share (Yen)	ROE (%)	Ordinary Income to Assets (%)	Ordinary Income to Sales (%)
FY2005	4,737	(2.9%)	27.77	27.59	5.7	4.3	3.4
FY2004	4,606	(89.5%)	27.25	-	6.3	4.1	3.1

Notes:

1) Gain from investment in subsidiaries and affiliates accounted for by the equity method:

FY2005: ¥ 184 million

FY2004: ¥ 193 million

2) Average number of shares outstanding (consolidated):

FY2005: 168,270,905

FY2004: 166,856,286

3) Changes in accounting method: Not applicable

4) Numbers in parentheses alongside net sales, operating income, ordinary income, and net income indicate percentage increase/decrease from the same period of the previous year.

(2) Consolidated Financial Position (Millions of yen, except for per share figures)

	Total Assets	Shareholders' Equity	Equity Ratio (%)	Shareholders' Equity per Share (Yen)
FY2005	182,078	84,482	46.4	501.60
FY2004	172,359	80,525	46.7	478.17

Note: Number of shares outstanding at term end (consolidated):

FY2005: 168,295,936

FY2004: 168,278,467

(3) Consolidated 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 End of the Term
FY2005	6,099	(5,241)	(4,430)	11,883
FY2004	8,871	(3,402)	188	15,308

(4) Number of Consolidated Subsidiaries, and Subsidiaries and Affiliates Accounted for by the Equity Method

Number of consolidated subsidiaries: 36

Number of unconsolidated subsidiaries accounted for by the equity method: 7

Number of affiliates accounted for by the equity method: 4

(5) Changes in Consolidation and Scope of Application for Equity Method

Newly consolidated subsidiaries: 2

Newly included under equity method: 2 (Excluded under equity method: 1)

2. Forecast for Business Results for the Year Ending March 31, 2006

(Apr. 1, 2005—Mar. 31, 2006)

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income
Half Year	114,000	4,200	4,100	2,500
Full Year	228,000	8,800	8,500	5,000

Reference: Expected net income per share ¥29.71

*The above forecast has been prepared based on data as of the announcement date. Actual results may differ from the forecasted figures due to various factors such as fluctuations in exchange. See the accompanying reference pages 10-11 regarding the forecast above.

1. History of Key Consolidated Management Indices

		FY2001	FY2002	FY2003	FY2004	FY2005
Net sales	Million Yen	194,062	207,883	201,389	215,777	224,360
Operating income	Million Yen	4,058	3,831	5,059	7,443	8,158
Ordinary income	Million Yen	3,361	3,790	4,469	6,585	7,605
Net income	Million Yen	2,351	2,010	2,430	4,606	4,737
Shareholders' equity	Million Yen	59,840	73,677	66,675	80,525	84,482
Total assets	Million Yen	138,592	163,887	146,654	172,359	182,078
Shareholders' equity per share	Yen	337.80	423.09	394.79	478.17	501.60
Net income per share	Yen	13.28	11.37	13.86	27.25	27.77
Fully diluted net income per share	Yen	-	-	-	-	27.59
Equity ratio	%	43.2	44.9	45.5	46.7	46.4
ROE	%	3.97	3.01	3.46	6.26	5.74
Per share earnings ratio	times	20.03	22.87	21.72	17.65	19.16
Cash flows from operating activities	Million Yen	760	3,476	9,110	8,871	6,099
Cash flows from investing activities	Million Yen	(6,290)	(3,069)	528	(3,402)	(5,241)
Cash flows from financing activities	Million Yen	3,071	(3,646)	(5,635)	188	(4,430)
Cash and cash equivalents at term end	Million Yen	8,189	5,698	9,709	15,308	11,883
Number of employees [average number of temporary employees, not included numbers of employees]		1,922 [2,485]	2,349 [2,604]	2,291 [2,329]	2,346 [2,657]	2,381 [2,619]

Notes:

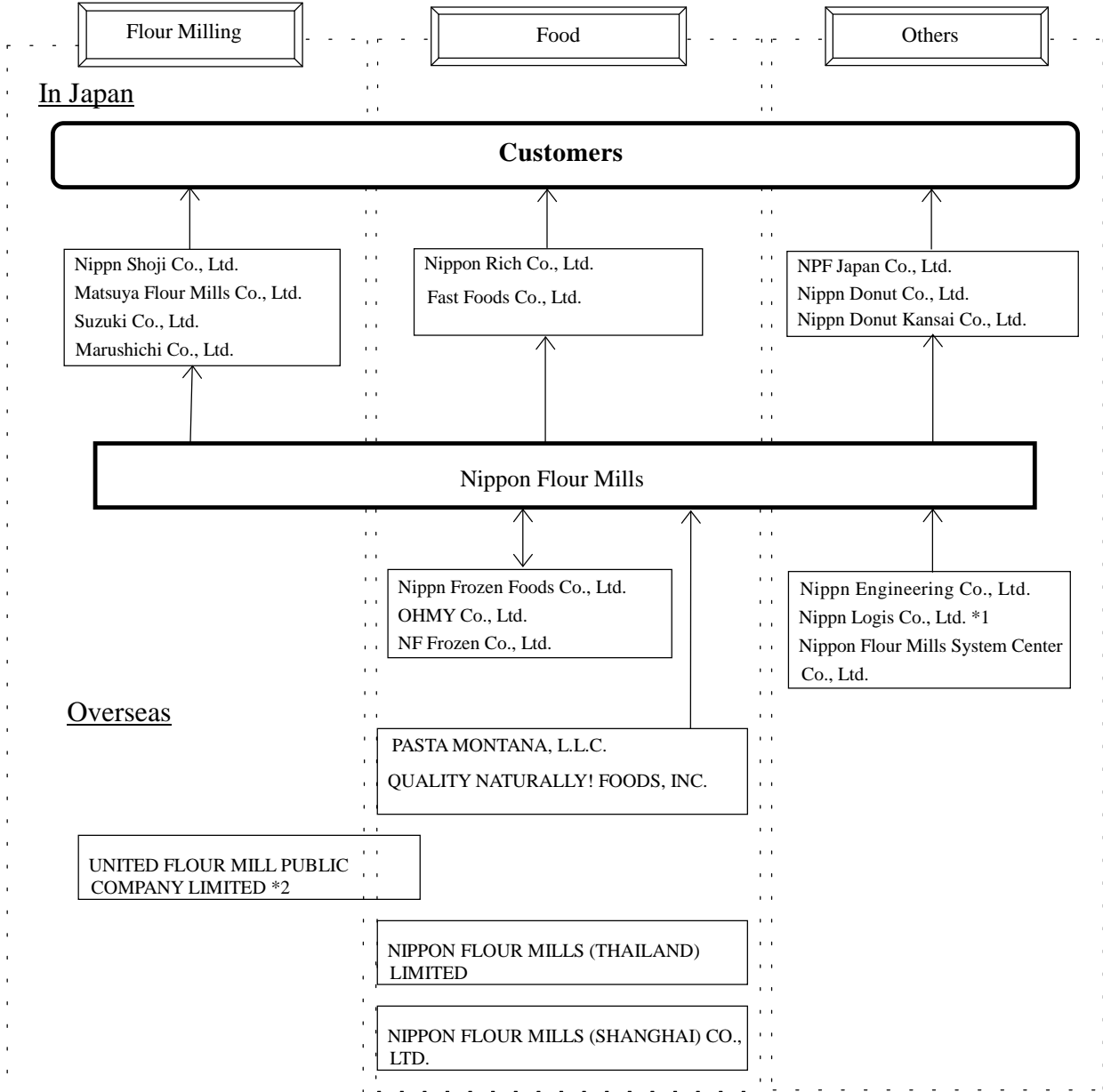
1. Consumption taxes are not included in net sales.
2. Figures for diluted net income per share for fiscal years up to the fiscal year ended March 31, 2004, are not indicated because no potentially dilutive securities existed.
3. Beginning with the fiscal year ended March 31, 2003, the Company has adopted the "Accounting Standard for Earnings per Share" (Accounting Standards Board of Japan Statement, No. 2 issued on September 25, 2002) and the "Guidance on Accounting Standard for Earnings per Share" (Accounting Standards Board of Japan Implementation Guidance, No. 4 issued on September 25, 2002).

Nippon Flour Mills Group

Nippon Flour Mills Group (the Company and its affiliated companies) consists of the Company (Nippon Flour Mills Co., Ltd.), 53 subsidiaries, and 28 affiliates. Details of the Company's core business segments follow:

- Flour Milling Production and sale of wheat flour, bran, and buckwheat
- Food Production and sale of premixes, pasta, frozen foods, and deli foods
- Others Production and sale of pet food; engineering and foodservice operations

The Company's businesses are depicted in the schematic diagram below.



(Notes)

No mark: Consolidated subsidiary

—————> Flow of products and services

*1: Non-consolidated subsidiary to which the equity method is applied

*2: Affiliated company to which the equity method is applied

Affiliated Companies

Name	Location	Share capital (Millions of yen)	Principal businesses	Ownership of voting rights (%)	Relationship
(Consolidated subsidiaries) Matsuya Flour Mills Co., Ltd.	Utsunomiya, Tochigi prefecture	40	Production and sale of buckwheat, sale of wheat flour	93.7	The Company sells the subsidiary's products. One shared corporate officer.
Nippon Shoji Co., Ltd.	Kobe, Hyogo prefecture	45	Sale of wheat flour, sugar, animal feed, etc.	93.2	The subsidiary sells the Company's products. Provision of offices.
Nippon Frozen Foods Co., Ltd.	Shibuya-ku, Tokyo	50	Production and sale of frozen ingredients	100	The Company purchases the subsidiary's products. Two shared corporate officers.
OHMY Co., Ltd.	Shibuya-ku, Tokyo	80	Production and sale of pasta	100	The Company purchases the subsidiary's products. Two shared corporate officers.
Nippon Rich Co., Ltd.	Shibuya-ku, Tokyo	30	Sale of frozen ingredients	100	The subsidiary sells the Company's products. One shared corporate officer.
Fast Foods Co., Ltd.	Hachioji, Tokyo	430	Production and sale of deli foods	75	The Company sells the subsidiary's products. One shared corporate officer.
NF Frozen Co., Ltd.	Isezaki, Gunma prefecture	30	Production and sale of frozen deli foods and frozen ingredients	100	The Company purchases the subsidiary's products. Provision of production facilities. Financial assistance. Two shared corporate officers.
Nippon Donut Co., Ltd.	Shibuya-ku, Tokyo	20	Foodservice operations	100	The Company supplies raw materials. Provision of shops.
NPF Japan Co., Ltd.	Shibuya-ku, Tokyo	40	Production and sale of pet food	100	The Company sells the subsidiary's products.
Nippon Engineering Co., Ltd.	Shibuya-ku, Tokyo	20	Plant construction and the design, production, and sale of machinery equipment	100	The Company purchases the subsidiary's machinery equipment.
Others 26 companies	-	-	-	-	-
(Non-consolidated subsidiaries to which the equity method is applied) 7 companies	-	-	-	-	-
(Consolidated affiliates to which the equity method is applied) UNITED FLOUR MILL PUBLIC Co., Ltd.	Bangkok, Thailand	400 millions of baht	Production and sale of wheat flour	20	One shared corporate officer.
Others (3 companies)	-	-	-	-	-

Management Policy

(1) Basic Management Policy

“Responding to the changes of the times and boldly introducing technological innovation to establish new businesses” — the motto of Nippon Flour Mills Group expresses the venturesome spirit at work when the Company was founded. Grounding its activities in this motto, today Nippon Flour Mills makes contributing to the welfare of society through excellent products and services the foundation of its business.

In addition to aggressively expanding into new business areas, the Company aims to increase competitive advantage through unflinching management reform, maintain the trust of shareholders and other stakeholders, and achieve further growth and development as a highly regarded multifaceted food company.

(2) Basic Policy on Profit Distribution

The Company’s basic policy on profit distribution is to ensure maintenance of adequate internal reserves in consideration of the need to strengthen the corporate structure, preparations for future business development, and the operating environment. While at the same time, returning profits to shareholders is positioned as an important management issue. The Company intends to continue payment of stable dividends, taking consolidated financial performance and financial position into account.

In the use of free cash flow, the Company will accord priority to investments made to increase enterprise value, for example, by expanding existing core businesses and establishing new businesses. The Company will also flexibly repurchase its own stock, utilizing free cash flow with a view to long-term investment efficiency, as a means of returning profit to shareholder.

In accordance with the resolution at the meeting of the Board of Directors held on April 18, 2005, the Company will submit a proposal to the 181st ordinary general meeting of shareholders to be held on June 29, 2005, on payment of a commemorative dividend of ¥1 per share commemorating the 50th anniversary of the “Oh’m’y” Brand in addition to a year-end cash dividend of ¥3 per share. Accordingly, the cash dividend for the full year will be ¥7 per share.

Also, the Company has established a shareholder special benefit plan under which the Company provides each shareholder listed on the list of shareholders (including the list of substantial shareholders) as of March 31, 2005, who owns at least 1,000 shares of the Company (one minimum trading unit) with the Company’s products worth ¥3,000.

(3) Policy on Reduction in Trading Units

The Company considers reduction in trading units to be an effective measure for facilitating individual investors’ participation in the stock market and increasing liquidity of the Company’s shares. The Company will consider reduction in trading units in view of the trend of the Company’s stock price, composition of shareholders and the needs in the stock market.

(4) Target Performance Indicators

As a result of its efforts to achieve further growth of business operations and strengthen the fundamentals in accordance with the New Nippon Way medium-term business plan that started in April 2002, the Group attained its target of strengthening the profit base. Following this achievement, the Group formulated a new medium-term business plan that covers a three-year period beginning April 2005.

The newly established 05/07 medium-term business plan sets milestones for decisively strengthening Nippon as a multifaceted food conglomerate with a strong presence whose core business is flour milling. The targeted consolidated net sales are ¥350 billion in five years time and ¥500 billion in 10 years time. Adhering to the corporate philosophy articulated in “Nippon’s Mission,” the Group will accord respect to shareholders, customers, partners, employees and all other stakeholders, and recognizing the central importance of corporate social responsibility (CSR), the Group will implement the new medium-term business plan in the spirit of “speed & attack.”

The priority of the new medium-term plan is to increase profits by improving the top line (net sales). At the same time, the Group will promote further cost reduction and strengthen customer-oriented management.

Through these measures the Group aims to definitely achieve consolidated net sales of ¥280 billion and operating income of ¥11.2 billion (operating margin of 4%) for the year ending March 31, 2007, and to enhance enterprise value.

(5) Medium-Term to Long-Term Management Strategies

While the food industry in Japan continues to suffer from weak consumption, multilateral and bilateral trade negotiations within the World Trade Organization and on free trade agreements are proceeding, and competition among companies is expected to intensify in the global marketplace.

To cope with these challenging circumstances, the Group is pushing ahead with the medium-term business plan (2005-2007). The plan has six key elements:

1) Business expansion in priority fields, cutting-edge fields and overseas

The Group intends to expand the business in priority fields (deli foods, foodstuffs for deli foods, frozen foods and lifestyle-related businesses), cutting-edge fields (biotechnology and environment-related businesses) and international business (in the pan-Pacific region).

- Inject resources to address new growth fields for the next generation.
- Strengthen corporate functions to powerfully support the growth strategy.
- Strengthen overseas operations to expand business opportunities corresponding to the investment within the framework of consolidated management.

2) Strengthening of the core businesses

The Group will work to increase the market share of the core businesses (flour milling, premix and pasta businesses) and at the same time strengthen its commitment to peripheral products and businesses.

- Thoroughly strengthen the Group's core businesses. Aim to grow together with customers while improving the top line by establishing a market-oriented sales system.
- Inject resources in order to bring the Group's strengths into full play.

3) Establishment of a highly profitable business structure

In order to strengthen the fundamentals of the business on an ongoing basis, the Group will make efforts to continually improve the profit structure of each business.

- Promote low-cost operation from a new perspective.
- Promote rationalization of physical distribution and commercial distribution.
- Optimize and improve production and logistics centers in Japan and overseas.
- Realize slim and small strategic headquarters while strengthening corporate functions.

4) Strengthening of the corporate brand

Awareness of the Company's activities will be enhanced by "sharing heart-moving experiences with as many customers as possible."

- Foster the corporate brand Nippon and the product brand "Oh'my", capitalizing on the "Oh'my" Brand 50th anniversary campaign (FY2005) and the Company's 110th anniversary events (FY2006).
- Through fostering of the brands, develop excellent human resources at the forefront of manufacturing and sales who underpin the Group's growth strategy.

5) Strengthening of the financial position

Enhancement of enterprise value will be pursued through reduction of interest-bearing debt and improvement of asset efficiency.

- Improve asset efficiency from the viewpoint of emphasizing cash flows by means of reduction of inventories, liquidation of assets and disposal of idle fixed assets.
- Increase efficiency of the Group's assets based on a cash management system.

6) Harmony with society as a good corporate citizen

The Group will strengthen its commitment to fulfillment of corporate social responsibility (CSR) in response to increasing expectations of society.

- Emphasize compliance in management. Enhance the internal control system and the risk management system.
- Enhance the quality assurance system and reduce environmental impacts.
- Promote timely disclosure and strengthen measures to fulfill accountability.

(6) Issues to Be Addressed

Although deregulation and privatization are expected to bring about a self-sustaining recovery of the Japanese economy in coming years, the outlook of the economy remains a source of concern due to uncertain factors such as oil prices, which have been high, and the prospects for the US economy and that of China. In the food industry, while shrinking of the Japanese market due to aging of the population

coupled with a low birth rate is a concern, opening of the market for agricultural produce is under way within the framework of the World Trade Organization (WTO) and free trade agreements (FTAs), and it is likely that international competition among companies will intensify.

In order to cope with this challenging business environment, the Group is making a concerted effort in the spirit of “speed & attack” to increase profits by improving the top line and to strengthen business through further cost reduction based on the six elements of the 05/07 medium-term business plan, that is, business expansion in the priority fields, cutting-edge fields and overseas, strengthening of the core businesses, establishment of a highly profitable business structure, strengthening of the corporate brand, strengthening of the financial position, and harmony with society as a good corporate citizen.

Additionally, for speedy and vigorous implementation of the new medium-term business plan, the Group’s organizational structure was reformed as of April 1, 2005.

The Group is cultivating the fundamentals that will enable it to respond effectively to the rapidly changing business environment, and thus, is reinforcing its position as a multifaceted food conglomerate enjoying the confidence and support of its shareholders, consumers, business partners, and other stakeholders. Also, the Group is emphasizing environmental friendliness in its R&D and product development as a part of its drive to strengthen the commitment to CSR.

(7) Basic Stance on Corporate Governance and Implementation of Measures to Strengthen Corporate Governance

(Basic Stance on Corporate Governance)

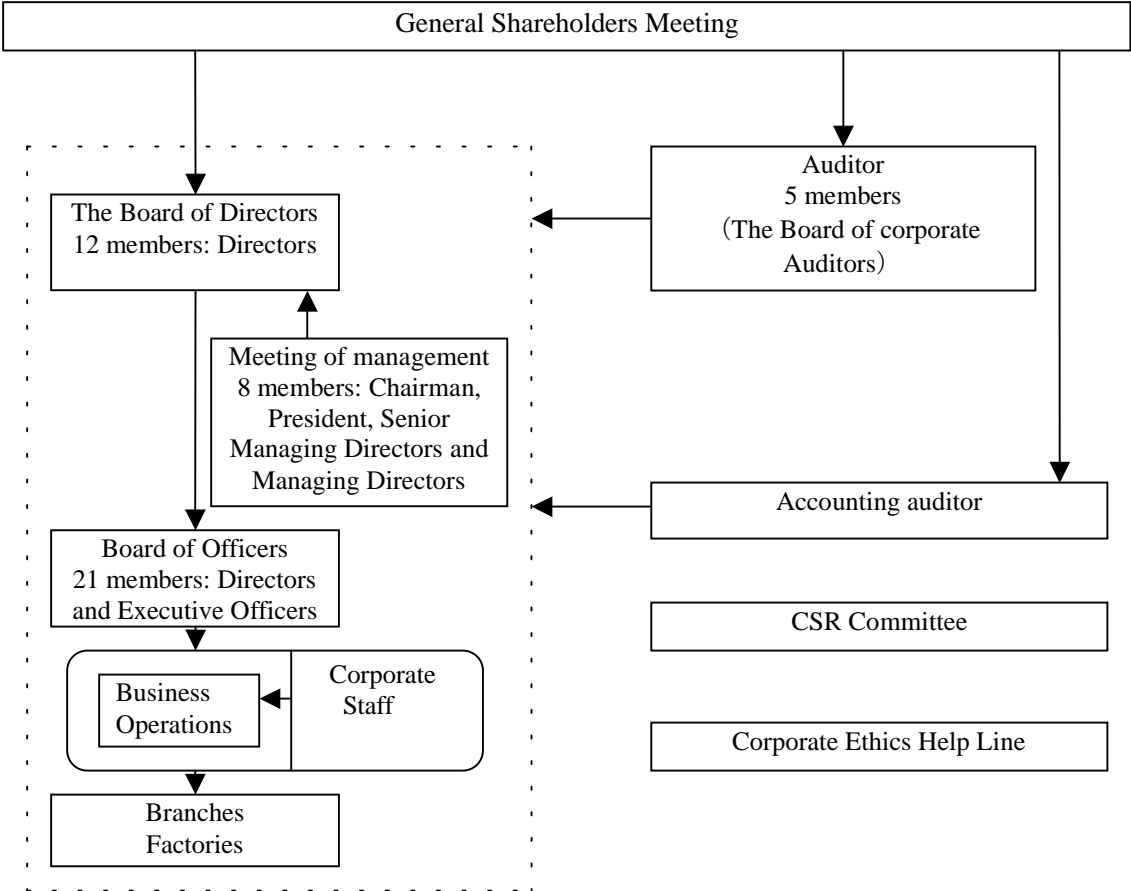
The Group recognizes the importance of ensuring its corporate governance of the highest quality. Mindful of our responsibilities as a food products manufacturer, we accord the top priority to ensuring the safety of food. From the viewpoint of management, key elements of corporate governance include the establishment of internal systems to enhance trust and consistency through improvement of operating efficiency, timely disclosure, and implementation of systems and procedures to cope with emergencies.

(Implementation of Measures to Strengthen Corporate Governance)

1) Organizational structure

The Company introduced the executive officer system under the auditor system. The board of directors, consisting of 12 internal directors and five auditors including two external auditors, focuses on decision-making concerning execution and supervision of execution. The board of officers consisting of all directors and executive officers has been established to discuss important matters concerning business execution.

2) Organizational structure and internal controls



3) Internal control systems and risk control systems

Segregation of duties and authority are defined in regulations in order to clarify responsibilities, and procedures are prescribed for important matters.

The Company established the CSR Committee chaired by the Risk Management Officer in order to ensure legal compliance, ethical conduct and fairness and examined the issues to be tackled and formulated and implemented improvement measures.

Also, the Company has established the Corporate Ethics Help Line, an internal reporting system, to strengthen systems for legal compliance.

The Company has established the Basic Rules for Risk Management and a risk management system headed by the president, in order to ensure a well-targeted and swift response in the event of any emergency with a significant impact on the Company’s business.

In April 2005, the Company greatly reformed its organizational structure. The headquarters have been divided into business operations and corporate staff to speed up execution and clarify responsibilities while strengthening supervision of execution.

4) Internal audit and audit by corporate auditors

Audit of the Company is mainly performed by corporate auditors.

The Company has five corporate auditors, of whom three are statutory auditors, and has assigned one employee exclusively to support the work of the corporate auditors.

Corporate auditors audit legal compliance, risk management and internal control based on the audit plan determined by the Board of Corporate Auditors. Corporate auditors are briefed by the accounting auditor on the audit plan and audit results and exchange information to facilitate cooperation.

5) Accounting audit

The Company has appointed ChuoAoyama PriceWaterhouse Coopers as the accounting auditor in accordance with the Commercial Code and for accounting audit in accordance with the Securities and Exchange Law. No interest exists between the audit corporation and the Company or between the audit corporation’s engagement partners and the Company.

- Certified public accountants engaged in the audit
 - Designated partner and engagement partner: Akio Okuyama
 - Designated partner and engagement partner: Koichi Higuchi
 - Designated partner and engagement partner: Takuya Kitagawa
- Assistants involved in the audit
 - 10 certified public accountants and 18 junior accountants

6) Relationship with the outside directors and auditors

The Company has appointed two outside auditors who are attorneys and have contracts with the Company for legal advisory services. The Company has appointed no outside directors.

7) Remuneration of directors

Remuneration of the Company's directors and auditors was as follows:

Total amount of remuneration to the 12 directors: ¥209 million

Total amount of remuneration to the 5 auditors: ¥61 million

In addition to the above, directors were provided with bonuses of ¥50 million appropriated from the previous year's retained earnings and the two retired directors received retirement benefits of ¥72 million.

8) Audit fee

The fee for ChuoAoyama PriceWaterhouse Coopers, the accounting auditor of the Company, was as follows:

Fee concerning audit attestation: ¥23 million

Other fees: ¥1 million

(8) Matters concerning the Parent Company

Not applicable.

Operating Results and Financial Position

1) Operating Results

—Operating Results for the Year Ending March 31, 2005—

Overview of the operating results	FY2005	FY2004	Increase (Decrease)	
			Amount	Ratio (%)
Net sales	224,360	215,777	8,582	4.0
Operating income	8,158	7,443	715	9.6
Ordinary income	7,605	6,585	1,020	15.5
Net income	4,737	4,606	131	2.9
Net income per share (Yen)	27.77	27.25	0.52	1.9

During the year under review, although the Japanese economy headed toward moderate recovery backed by improvement in corporate earnings and the employment situation as well as expansion of private-sector capital investment, personal consumption lacked vigor and the Japanese economy ran out of steam in the second half of the year under review.

In the food industry, sales competition intensified owing to the protracted weakness of consumption and the increasing preoccupation with prices, causing the challenging business environment to persist.

In the final year of the New Nippon Way medium-term business plan, the Group made a concerted effort to expand the scale of its business and improve profitability.

The Yokohama Distribution Center, completed in August 2004, is designed to streamline logistics for premix and pasta products and to integrate control in the Tokyo Metropolitan area, thereby boosting the Group's cost competitiveness. In November 2004, the premix plant of Nippon Flour Mills (Shanghai) Co., Ltd., a subsidiary in China, started operation. Also, Quality Naturally! Foods, Inc., a U.S. subsidiary, strengthened its premix production system. Thus, the Group vigorously expanded its business in the pan-Pacific region, which includes the U.S. and Southeast Asia and has excellent potential for growth.

Also, in order to respond to consumers' increasing awareness of food safety and reliability issues, we engaged vigorously in corporate social responsibility (CSR) activities, including enhancement of quality assurance systems and reduction of environmental impacts.

In consolidated business performance for the year under review, efforts to expand sales in all business segments and to reduce manufacturing costs and the cost of sales and the inclusion of one sales subsidiary within the scope of consolidation resulted in net sales of ¥224,360 million, an increase of 4.0% year on year, operating income of ¥8,158 million, an increase of 9.6%, ordinary income of ¥7,605 million, an increase of 15.5%, and net income of ¥4,737 million, an increase of 2.9%.

The performance of individual business segments was as follows.

Flour Milling

The business environment of the flour milling sector is changing markedly. While domestic demand for flour shows little or no growth, rising imports of premixes and flour-based products is fueling price competition. Also, the General Food Policy Bureau of the Ministry of Agriculture, Forestry and Fisheries is deliberating on reform of the wheat policy. In these circumstances, to meet diversifying preferences regarding food, the Group developed new products, and engaged in vigorous marketing activities including holding technical seminars and, promoting proposal-driven marketing. In sales of flour for bread and instant noodles, the shipments were sluggish due to the unusually hot summer, and, as a result, total sales of flour declined compared with the same period of the previous year. Sales of bran, a flour milling by-product, increased year on year owing to robust market conditions.

Revenues from the warehousing and harbor transport businesses exceeded over the prior-year level.

As a result, sales for the Flour Milling segment were ¥86,406 million, a decrease of 1.7% year on year.

Food

The Group strengthened development and proposals of distinctive new products catering to consumers whose aspirations are increasingly focused on wellbeing and safety and executed vigorous marketing, including participation in FOODEX (international food and beverage exhibition) and various other exhibitions, the holding of new product introduction seminars and training courses on Italian cuisine. At the same time, the Group worked to improve profitability through a concerted effort to reduce costs and improve sales management.

Shipments of pasta products, both for institutional and home use, were brisk. In the range of pasta products for home use, sales of Oh, My Gold Pasta introduced in February 2005 to mark the 50th anniversary of the “Oh’m’y” Brand were particularly brisk, because the texture of this dried pasta is comparable to that of fresh pasta. Also, the three new pasta sauce products in the Oh, My Gu ga Jyujitsu Series, introduced at the same time as Oh, My Gold Pasta, were well received.

Regarding premix products, while sales of bakery mix products for institutional use rose greatly, due to the impact of avian influenza there was little growth in sales of premix for fried chicken. Sales of premix products in the U.S. were sluggish. In contrast, sales of premix products for home use rose thanks to brisk sales of premix products for tempura and *okonomiyaki* (Japanese-style savory pancakes).

Sales of frozen ingredients and frozen foods increased year on year owing to solid performance from dough for donuts and pies for the restaurant industry.

Sales of deli products increased compared with the same period of the previous year as a result of cultivation of new markets and higher sales of ready-to-eat dishes.

As a result of these developments, sales for the Food segment were ¥111,262 million, an increase of 10.8% year on year.

Other Businesses

Thanks to brisk shipments of new dog food products for dogs aged seven years or older and those for overweight dogs launched in summer 2004. Although the biotechnology business, including sales of equipment for genetic research and synthetic DNA, performed well, sales of natural cosmetics and health foods were lackluster and lower than for the same period of the previous year.

As a result, sales for the Other Businesses segment were ¥26,691 million, a decrease of 2.8% year on year.

—Outlook for the Year Ending March 31, 2006—

(Millions of yen, except for per share figures)

	FY2006 (Forecasts)	FY2005 (Results)	Increase (Decrease)	
			Amount	Ratio (%)
Net sales	288,000	224,360	3,640	1.6
Operating income	8,800	8,158	642	7.9
Ordinary income	8,500	7,605	895	11.8
Net income	5,000	4,737	263	5.6
Net income per share (Yen)	29.71	27.77	1.94	7.0

The outlook for the Japanese economy remains a source of concern due to uncertain factors such as the impact of sharply rising oil prices on industry at large and the prospects for the US economy and that of China. In the food industry, fierce competition is expected to continue. In these circumstances, the Group is making a concerted effort to increase profits by improving the top line and to strengthen the business through further cost reduction based on the six elements of the 05/07 medium-term business plan.

We are mindful that our growth and prosperity proceed hand in hand with the preservation of a rich natural environment. Thus, we will not only strive to reduce the environmental impacts of our business, but also devote ourselves to environmental friendliness in R&D and product development.

Flour Milling

We will continue to engage in aggressive marketing activities to expand market share. At the same time, we will work to increase sales by constructing new business models, proposing products that satisfy latent market needs, and increasing customer satisfaction. We will also move forward with cost reductions in every facet of operations: production, distribution, and sales.

Food

We will aggressively engage in the development and introduction of new products that satisfy consumer needs. Coinciding with the 50th anniversary of the “Oh’m’y” Brand, the Group will step up its efforts in the field of food products for home use. In the deli products sector, in addition to sales of rice-based boxed lunches for convenience stores, we intend to cultivate sales of prepared noodles and ready-to-eat dishes. In the frozen food sector, we will develop high value-added products and open up new markets.

Other Businesses

The market for health foods is expected to grow as people increasingly embrace healthy lifestyles and in view of the impact of the aging society. Accordingly, we are concentrating on development of new products attuned to consumers’ enthusiasm for health and wellness. Keeping pets has a positive effect on people, and the market for pet products is expanding. The Group will work to increase sales in this sector by engaging in research and development of pet foods that meet consumer needs.

Management forecasts consolidated net sales of ¥228 billion, operating income of ¥8.8 billion, ordinary income of ¥8.5 billion, and net income of ¥5 billion for fiscal 2006, the first year of the new 05/07 medium-term business plan covering a three-year.

Cautionary statement: Forecasts for future operating results have been prepared based on certain assumptions and beliefs that can be inferred from the current situation. The Company undertakes to provide no guarantee or assurance that the forecasts will be realized.

2) Financial Position

—Consolidated Statements of Cash Flows for the Year Ending March 31, 2005 (Summary)—

(Millions of yen)

Item	FY2005	FY2004	Increase (Decrease)
Cash flows from operating activities	6,099	8,871	(2,772)
Cash flows from investing activities	(5,241)	(3,402)	(1,838)
Cash flows from financing activities	(4,430)	188	(4,618)
Effects of exchange rate changes on cash and cash equivalents	(19)	(58)	39
Net increase (decrease) in cash and cash equivalents	(3,592)	5,598	(9,190)
Cash and cash equivalents at beginning of the term	15,308	9,709	5,598
Increase in cash and cash equivalents due to inclusion of an additional subsidiary	167	-	167
Cash and cash equivalents at end of the term	11,883	15,308	(3,425)

Net cash provided by operating activities amounted to ¥6,099 million, having declined by ¥2.7 billion compared with the same period of the previous year, mainly due to the increase of ¥2.4 billion in income taxes paid although income before income taxes and depreciation and amortization were virtually unchanged from the previous year.

Net cash used in investing activities amounted to ¥5,241 million. Although capital expenditure amounted to ¥6.8 billion, cash inflow increased mainly due to the proceeds from sale of fixed assets amounted to ¥1.2 billion.

Free cash flow, calculated by subtracting cash used in investing activities from cash provided by operating activities, was ¥858 million.

Net cash used in financing activities was ¥4,430 million. Principal factors were as follows. While proceeds from issuance of convertible bonds amounted to ¥8 billion, expenditures included ¥1,015 million for cash dividends, ¥5 billion for redemption of straight bonds and ¥6 billion for repayment of the fund for liquidation of receivables.

As a result, cash and cash equivalents at end of the term under review were ¥11,883 million, having decreased by ¥3.6 billion from the previous fiscal year-end.

Outlook for the Year Ending March 31, 2006

Regarding cash flows from operating activities, income before income taxes is expected to increase compared with the year ended March 31, 2005, thanks to improved profitability resulting from an increase in sales and proceeds. Management forecasts an increase in cash flows from operating activities because reduction of inventories and receivables will be promoted while depreciation and amortization will be virtually unchanged.

As for cash flows from investing activities, capital expenditure is expected to amount to approx. ¥9 billion, the principal item being installation of additional milling lines at Chiba Mill, but conversion of assets by means of sale of idle fixed assets and securities will be continued. As a result, cash and cash equivalents at March 31, 2006, are expected to be virtually the same amount as at the end of the fiscal year ended March 31, 2005.

3) Cash Flow Indicator Trends

	FY2002	FY2003	FY2004	FY2005
Equity ratio (%)	44.9	45.5	46.7	46.4
Equity ratio at market value (%)	27.6	34.6	47.0	49.2
Debt repayment period (years)	14.7	5.2	5.8	9.0
Interest coverage ratio (times)	3.3	10.0	8.4	7.3

Equity ratio: Shareholders' equity / Total assets

Equity ratio at market value: Market capitalization / Total assets

Debt repayment period: Interest-bearing debt / Cash flow from operating activities

Interest coverage ratio: Cash flow from operating activities / Interest expense

* The consolidated financial figures constitute the basis for calculating these indicators.

* Market capitalization is calculated by multiplying the closing stock price at end of the term by the

number of shares outstanding at end of the term (after the deduction of treasury stocks).

- * The basis for calculating cash flow from operating activities is net cash provided by operating activities in the consolidated statements of cash flows. Interest-bearing debt includes all debts recorded on the consolidated balance sheet on which interest is paid. The basis for interest expense is the amount of interest paid recorded in the consolidated statements of cash flows.

Consolidated Financial Statements

1) Consolidated Balance Sheets

(Millions of yen)

	FY2005	FY2004	Increase (Decrease)		FY2005	FY2004	Increase (Decrease)
Assets				Liabilities			
Current assets:				Current liabilities:			
Cash and time deposits	11,883	15,308	(3,425)	Trade notes and accounts payable	11,365	9,398	1,967
Trade notes and accounts receivable	26,970	18,521	8,448	Short-term loans	20,872	19,673	1,198
Securities	10	32	(21)	Current portion of bonds redeemable within a year	-	5,000	(5,000)
Inventories	15,398	15,286	111	Income taxes	1,953	2,577	(624)
Deferred income taxes	888	843	45	Accrued expenses	5,928	6,016	(88)
Other current assets	4,443	2,880	1,563	Others	1,709	2,331	(622)
Allowance for doubtful accounts	(167)	(115)	(51)	Total current liabilities	41,828	44,998	(3,169)
Total current assets	59,428	52,756	6,672	Long-term liabilities:			
Fixed assets:				Bonds	13,500	5,500	8,000
Tangible fixed assets:				Long-term debt	20,772	21,637	(865)
Buildings and structures	22,608	22,807	(199)	Reserve for employee retirement benefits	2,942	3,150	(208)
Machinery, equipment and vehicles	16,863	16,806	56	Reserve for directors' retirement benefits	686	631	55
Land	26,415	26,597	(182)	Deferred tax liabilities	14,301	13,072	1,229
Construction in progress	1,906	549	1,357	Other liabilities	1,796	1,679	117
Others	916	897	19	Total long-term liabilities	53,999	45,670	8,328
Total tangible fixed assets	68,710	67,658	1,052	Total liabilities	95,828	90,668	5,159
Intangible fixed assets	546	566	(19)	Minority interests	1,768	1,165	602
Investments and other assets:				Shareholders' equity:			
Investment in securities	48,922	47,895	1,026	Common stock	12,240	12,240	-
Long-term loan receivable	604	626	(22)	Additional capital surplus	11,055	11,053	1
Deferred income taxes	1,055	449	606	Retained earnings	45,674	41,784	3,890
Others	2,912	2,807	104	Unrealized gains on investment in securities	17,133	17,018	115
Allowance for doubtful accounts	(101)	(400)	298	Foreign currency translation adjustment	(8)	40	(49)
Total investments and other assets	53,392	51,378	2,014	Treasury stock, at cost	(1,613)	(1,611)	(1)
Total fixed assets	122,649	119,603	3,046	Total Shareholders' equity	84,482	80,525	3,956
Total assets	182,078	172,359	9,718	Total liabilities, minority interests and shareholders' equity	182,078	172,359	9,718

2) Consolidated Statements of Income

(Millions of yen)

	FY2005 From Apr. 1, 2004 To Mar. 31, 2005		FY2004 From Apr. 1, 2003 To Mar. 31, 2004		Increase (Decrease)	
	Amount	Ratio	Amount	Ratio	Amount	Change
Net sales	224,360	%	215,777	%	8,582	%
Cost of sales	169,263	75.4	161,885	75.0	7,378	4.6
Gross profit	55,096	24.6	53,892	25.0	1,204	2.2
Selling, general and administrative expenses	46,938	20.9	46,448	21.5	489	1.1
Operating income	8,158	3.6	7,443	3.4	715	9.6
Other income:						
Interest income	49		54		(4)	
Dividend income	413		373		40	
Gain on sale of securities	43		248		(205)	
Equity in earnings of companies accounted for by the equity method	184		193		(9)	
Others	559		705		(145)	
Total other income	1,250	0.6	1,575	0.8	(324)	(20.6)
Other expenses:						
Interest expenses	815		1,079		(264)	
Others	988		1,353		(365)	
Total other expenses	1,803	0.8	2,433	1.1	(629)	(25.9)
Ordinary income	7,605	3.4	6,585	3.1	1,020	15.5
Extraordinary income:						
Gain on sale of investments in securities	759		820		(61)	
Gain on sale of fixed assets	1,240		132		1,108	
Gain on establishment of retirement benefit fund	-		2,243		(2,243)	
Others	67		-		67	
Total extraordinary income	2,067	0.9	3,195	1.4	(1,128)	(35.3)
Extraordinary losses:						
Evaluation loss of investments in securities	78		400		(321)	
Loss on disposal of fixed assets	957		366		591	
Loss on doubtful accounts	199		-		199	
Others	297		599		(301)	
Total extraordinary losses	1,533	0.7	1,366	0.6	166	12.2
Income before income taxes	8,139	3.6	8,414	3.9	(274)	(3.3)
Income taxes	3,042		3,145		(103)	
Deferred income taxes	336		540		(203)	
Minority interest	23	0.0	122	0.1	(99)	(81.1)
Net income	4,737	2.1	4,606	2.1	131	2.9

3) Consolidated Statements of Retained Earnings

(Millions of yen)

	FY2005		FY2004	
	From Apr. 1, 2004 To Mar. 31, 2005		From Apr. 1, 2003 To Mar. 31, 2004	
	Amount		Amount	
Capital surplus at beginning of the term:		11,053		10,666
Increase in capital surplus:				
Gain on disposal of treasury stocks	1	1	387	387
Capital surplus at end of the term:		11,055		11,053
Retained earnings at beginning of the term:		41,784		39,059
Increase in retained earnings:				
Net income	4,737		4,606	
Increase resulting from the increase in the number of companies accounted for by the equity method	230	4,968	-	4,606
Decrease in retained earnings:				
Cash dividends	1,009		1,004	
Bonuses to directors and statutory auditors	67		52	
Cancellation of treasury stocks	-	1,077	824	1,881
Retained earnings at end of the term		45,674		41,784

4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2005 From Apr. 1, 2004 To Mar. 31, 2005	FY2004 From Apr. 1, 2003 To Mar. 31, 2004
Cash flows from operating activities		
Income before income taxes	8,139	8,414
Depreciation and amortization	5,184	5,068
Amortization of consolidation adjustment accounts	(9)	5
Decrease in reserve for employee retirement benefits	(256)	(198)
Increase in reserve for directors' retirement benefits	55	140
Gain on establishment of retirement benefit fund	-	(2,243)
Increase (Decrease) in allowance for doubtful accounts	23	(210)
Loss on doubtful accounts	199	-
Interest and dividend income	(462)	(427)
Interest expenses	815	1,079
Gain on sale of securities	(802)	(1,068)
Loss on devaluation of securities	78	400
Equity in earnings of companies accounted for by equity method	(184)	(193)
Exchange loss	69	238
Gain on sale of fixed assets	(1,240)	(132)
Loss on sale of fixed assets	805	-
Loss on disposal of fixed assets	248	459
Bonuses paid to directors and statutory auditors	(78)	(52)
Decrease in notes and accounts receivable	71	344
(Increase) Decrease in inventories	10	(660)
Increase (Decrease) in notes and accounts payable	(667)	67
Increase (Decrease) in consumption taxes payable	(229)	17
Increase in other receivables	(1,614)	(198)
Decrease in other payables	(6)	(15)
Sub-total	10,150	10,835
Interest and dividends received	484	427
Interest paid	(833)	(1,061)
Payments for income taxes	(3,701)	(1,329)
Net cash provided by operating activities	6,099	8,871
Cash flows from investing activities		
Proceeds from sale and redemption of securities	32	330
Purchase of fixed assets	(6,829)	(3,492)
Proceeds from sale of fixed assets	1,254	143
Purchase of investments in securities	(3,021)	(5,185)
Proceeds from sale and redemption of investments in securities	3,099	3,690
Proceeds from acquisition of shares of subsidiaries in line with change in the scope of consolidation	325	536
Lending of loans receivable	(57)	(33)
Collection of loans receivable	50	51
Others, net	(95)	555
Net cash used in investing activities	(5,241)	(3,402)
Cash flows from financing activities		
Net increase (decrease) of short-term loans	(592)	(2,199)
Net increase (decrease) of commercial paper	-	(1,000)
Proceeds from long-term debt	2,960	9,161
Repayments of long-term debt	(2,775)	(5,392)
Proceeds from issuance of bonds	8,000	500
Expenditure for redemption of bonds	(5,000)	-
Decrease in capital from liquidating receivable	(6,000)	-
Acquisition of treasury stock	(10)	(854)
Proceeds from sale of treasury stock	3	993
Cash dividends paid by the Company	(1,015)	(1,020)
Net cash used in financing activities	(4,430)	188
Effect of exchange rate changes on cash and cash equivalents	(19)	(58)
Increase in cash and cash equivalents	(3,592)	5,598
Cash and cash equivalents at beginning of the term	15,308	9,709
Increase in cash and cash equivalents due to inclusion of an additional subsidiary	167	-
Cash and cash equivalents at end of the term	11,883	15,308

Segment Information

1) Business Segment Information

FY2005 (from April 1, 2004 to March 31, 2005)

(Millions of yen)

	Flour Milling	Food	Others	Total	Unallocated and Eliminations	Consolidated
I Net sales and operating income						
Net sales						
1) Net sales to external customers	86,406	111,262	26,691	224,360	-	224,360
2) Internal sales or transfers between segments	5,103	3,232	2,175	10,511	(10,511)	-
Total	91,510	114,494	28,867	234,872	(10,511)	224,360
Operating expenses	86,599	111,368	28,704	226,672	(10,470)	216,201
Operating income	4,910	3,126	163	8,200	(41)	8,158
II Assets, Depreciation and amortization and capital expenditure						
Assets	74,285	50,653	14,260	139,199	42,878	182,078
Depreciation and amortization	2,729	1,640	712	5,082	102	5,184
Capital expenditure	3,688	2,217	642	6,548	(136)	6,412

FY2004 (April 1, 2003 to March 31, 2004)

(Millions of yen)

	Flour Milling	Food	Others	Total	Unallocated and Eliminations	Consolidated
I Net sales and operating income						
Net sales						
1) Net sales to external customers	87,865	100,455	27,456	215,777	-	215,777
2) Internal sales or transfers between segments	4,481	3,239	2,092	9,813	(9,813)	-
Total	92,347	103,695	29,549	225,591	(9,813)	215,777
Operating expenses	88,084	100,696	29,383	218,164	(9,829)	208,334
Operating income	4,262	2,998	166	7,427	16	7,443
II Assets, Depreciation and amortization and capital expenditure						
Assets	72,658	45,406	13,963	132,028	40,330	172,359
Depreciation and amortization	2,807	1,433	691	4,933	135	5,068
Capital expenditure	2,877	900	800	4,578	(10)	4,567

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
Food	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.

4. Of assets, principal items in the unallocated and eliminations category are the Company's surplus funds (cash and securities) and assets concerning management operations.

5. Depreciation and amortization and capital expenditure include long-term prepaid expenses and amortization thereof.

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 information is omitted.