

February 1, 2005

Consolidated Financial Results for the Third 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

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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: 1 (Excluded under equity method: 1)

2. Consolidated Results for the Third Quarter of FY 2005 (April 1, 2004-December 31, 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 | |
|-------------------------|-----------|------|------------------|------|-----------------|-------|
| Third Quarter of FY2005 | 170,378 | 4.1% | 6,140 | 9.0% | 5,781 | 11.6% |
| Third Quarter of FY2004 | 163,708 | - | 5,634 | - | 5,179 | - |
| [Reference] FY2004 | 215,777 | | 7,443 | | 6,585 | |

| | Net Income | | Net Income per Share (Yen) | Fully Diluted Net Income per Share (Yen) |
|-------------------------|------------|-------|----------------------------|--|
| Third Quarter of FY2005 | 3,487 | 22.0% | 20.73 | - |
| Third Quarter of FY2004 | 2,858 | - | 17.13 | - |
| [Reference] FY2004 | 4,606 | | 27.25 | |

Note: Percentages for net sales, operating income, ordinary income, and net income are the percentage increase/decrease from the same period of the previous year.

[Qualitative information on consolidated operating results]

During the third quarter of the fiscal year ending March 31, 2005, although improved corporate earnings and increased private-sector capital investment sustained the recovery of the Japanese economy, personal consumption remained lackluster.

Consolidated net sales amounted to ¥170,378 million, an increase of 4.1% compared with the same period of the previous year, operating income rose 9.0% to ¥6,140 million, ordinary income advanced 11.6% to

¥5,781 million, and net income jumped 22.0% to ¥3,487 million.

In flour milling, while demand for wheat flour continues to be sluggish, competition further intensified due to the increase in imports of premixes and products prepared from wheat flour. Although Nippon Flour Mills Group promoted proposal-driven marketing and strove to cultivate new markets and expand sales, persisting deflation and unusual weather adversely affected the Group's flour milling operation. Sales of this segment decreased 1.7% compared with the same period of the previous year to ¥65,229 million. Construction of state-of-the-art large-scale flour milling lines at Chiba Mill is proceeding smoothly, with completion scheduled for the end of March 2006.

In the food operation, in addition to the introduction of distinctive new products attuned to consumers' aspirations concerning wellbeing and safety, the Group implemented thorough cost reduction and sales management to improve profitability. While sales of premix products remained unchanged from the same period of the previous year, sales of pasta products, frozen food products and deli products were brisk, surpassing the results for the same period of the previous year. Reflecting this sales growth as well as the inclusion of an additional subsidiary within the scope of consolidated accounting, sales of the food segment rose 11.4% to ¥85,080 million. The premix plant of Nippon Flour Mills (Shanghai) Co., Ltd. is operating smoothly following the completion of construction in November 2004.

Sales of other businesses were ¥20,068 million, having decreased 4.3% compared with the same period of the previous year.

(2) Financial Position

(Millions of yen, except for per share figures)

| | Total Assets | Shareholders' Equity | Equity Ratio (%) | Shareholders' Equity per Share (Yen) |
|-------------------------|--------------|----------------------|------------------|--------------------------------------|
| Third Quarter of FY2005 | 178,454 | 82,351 | 46.1 | 489.41 |
| Third Quarter of FY2004 | 172,926 | 75,034 | 43.4 | 451.80 |
| [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 |
|-------------------------|--------------------------------------|--------------------------------------|--------------------------------------|---------------------------------------|
| Third Quarter of FY2005 | 2,766 | (5,081) | (5,389) | 7,588 |
| Third Quarter of FY2004 | 2,792 | (1,854) | (1,824) | 8,792 |
| [Reference] FY2004 | 8,871 | (3,402) | 188 | 15,308 |

[Qualitative information on changes in the consolidated financial position]

At the end of the third quarter, total assets were ¥6,095 million higher than at the end of the previous fiscal year and shareholders' equity was ¥1,825 million higher. The principal reason for these increases was the inclusion of an additional subsidiary within the scope of consolidated accounting.

Net cash provided by operating activities amounted to ¥2,766 million. While income before income taxes amounted to ¥5,967 million, payments for income taxes paid were ¥3.5 billion.

Net cash used in investing activities was ¥5,081 million. The main item was purchase of fixed assets.

Net cash used in financing activities was ¥5,389 million. The main items were expenditure of ¥5 billion for redemption of corporate bonds and payment of ¥1 billion in cash dividends.

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) |
|-----------|-----------|------------------|-----------------|------------|----------------------------|
| Full year | 231,000 | 8,000 | 7,500 | 4,700 | 27.93 |

[Qualitative information on forecasts]

The Company's performance through to the end of the third quarter has been robust. The forecasts of the consolidated financial results for the full year are unchanged from the full-year forecasts announced on November 10, 2004.

Consolidated Financial Statements for the Third Quarter Ended December 31, 2004
Consolidated Balance Sheets

(Millions of yen)

| | Third Quarter of FY2005 As of Dec. 31, 2004 | FY2004 As of March 31, 2004 | Increase (Decrease) | Third Quarter of FY2004 As of Dec. 31, 2003 | | Third Quarter of FY2005 As of Dec. 31, 2004 | FY2004 As of March 31, 2004 | Increase (Decrease) | Third Quarter of FY2004 As of Dec. 31, 2003 |
|---|--|--------------------------------|---------------------|--|---|--|--------------------------------|---------------------|--|
| Assets | | | | | Liabilities | | | | |
| Current assets: | | | | | Current liabilities: | | | | |
| Cash and time deposits | 7,588 | 15,308 | (7,719) | 8,792 | Trade notes and accounts payable | 12,121 | 9,398 | 2,722 | 10,760 |
| Trade notes and accounts receivable | 31,011 | 18,521 | 12,490 | 29,721 | Short-term loans | 20,956 | 19,673 | 1,282 | 23,109 |
| Inventories | 14,525 | 15,286 | (761) | 14,378 | Current portion of bonds | - | 5,000 | (5,000) | 5,000 |
| Deferred income taxes | 411 | 843 | (431) | 568 | Income taxes | 1,027 | 2,577 | (1,550) | 1,167 |
| Other current assets | 3,194 | 2,912 | 281 | 4,677 | Others | 15,428 | 8,348 | 7,080 | 11,634 |
| Allowance for doubtful accounts | (166) | (115) | (50) | (123) | Total current liabilities | 49,533 | 44,998 | 4,535 | 51,671 |
| Total current assets | 56,564 | 52,756 | 3,808 | 58,014 | Long-term liabilities: | | | | |
| Fixed assets: | | | | | Bonds | 5,500 | 5,500 | - | 5,000 |
| Tangible fixed assets: | | | | | Long-term debt | 20,648 | 21,637 | (988) | 20,582 |
| Buildings and structures | 22,818 | 22,807 | 11 | 22,773 | Reserve for employee retirement benefits | 3,011 | 3,150 | (139) | 6,163 |
| Machinery, equipment and vehicles | 17,377 | 16,806 | 570 | 16,949 | Reserve for directors' retirement benefits | 648 | 631 | 17 | 588 |
| Land | 27,214 | 26,597 | 616 | 26,532 | Deferred tax liabilities | 13,239 | 13,072 | 167 | 10,975 |
| Construction in progress | 1,275 | 549 | 726 | 525 | Other liabilities | 1,762 | 1,679 | 83 | 1,712 |
| Others | 922 | 897 | 25 | 844 | Total long-term liabilities | 44,810 | 45,670 | (859) | 45,022 |
| Total tangible fixed assets | 69,608 | 67,658 | 1,949 | 67,624 | Total liabilities | 94,344 | 90,668 | 3,675 | 96,693 |
| Intangible fixed assets | 548 | 566 | (18) | 549 | Minority interests | 1,759 | 1,165 | 593 | 1,197 |
| Investments and other assets: | | | | | Shareholders' equity | | | | |
| Investment in securities | 47,213 | 47,895 | (682) | 42,386 | Common stock | 12,240 | 12,240 | - | 12,240 |
| Long-term loan receivable | 609 | 626 | (17) | 695 | Additional capital surplus | 11,055 | 11,053 | 1 | 10,666 |
| Deferred income taxes | 1,057 | 449 | 608 | 1,046 | Retained earnings | 44,425 | 41,784 | 2,640 | 40,036 |
| Others | 3,236 | 2,807 | 428 | 3,236 | Unrealized gains on investment in securities | 16,240 | 17,018 | (777) | 14,273 |
| Allowance for doubtful accounts | (383) | (400) | 17 | (627) | Foreign Currency translation adjustment | 8 | 40 | (32) | 33 |
| Total investments and other assets | 51,733 | 51,378 | 355 | 46,737 | Treasury stock, at cost | (1,618) | (1,611) | (6) | (2,215) |
| Total fixed assets | 121,890 | 119,603 | 2,286 | 114,911 | Total Shareholders' equity | 82,351 | 80,525 | 1,825 | 75,034 |
| Total assets | 178,454 | 172,359 | 6,095 | 172,926 | Total liabilities, minority interests and shareholders' equity | 178,454 | 172,359 | 6,095 | 172,926 |

Consolidated Statements of Income

(Millions of yen)

| | Third Quarter of FY2005 From Apr. 1, 2004 To Dec. 31, 2004 | | Third Quarter of FY2004 From Apr. 1, 2003 To Dec. 31, 2003 | | Increase (Decrease) | | [Reference] FY2004 | |
|--|---|------------|---|------------|------------------------|-------------|-----------------------|------------|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| | | % | | % | | % | | % |
| Net sales | 170,378 | 100.0 | 163,708 | 100.0 | 6,670 | 4.1 | 215,777 | 100.0 |
| Cost of sales | 128,556 | 75.5 | 123,281 | 75.3 | 5,275 | 4.3 | 161,885 | 75.0 |
| Gross profit | 41,821 | 24.5 | 40,427 | 24.7 | 1,394 | 3.5 | 53,892 | 25.0 |
| Selling, general and administrative expenses | 35,681 | 20.9 | 34,793 | 21.3 | 888 | 2.6 | 46,448 | 21.5 |
| Operating income | 6,140 | 3.6 | 5,634 | 3.4 | 506 | 9.0 | 7,443 | 3.4 |
| Other income: | | | | | | | | |
| Interest income | 35 | | 30 | | 5 | | 54 | |
| Dividend income | 391 | | 342 | | 49 | | 373 | |
| Gain on sale of securities | 38 | | 234 | | (195) | | 248 | |
| Equity in earnings of companies accounted for by the equity method | 148 | | 115 | | 33 | | 193 | |
| Others | 386 | | 386 | | (0) | | 705 | |
| Total other income | 1,001 | 0.6 | 1,108 | 0.7 | (107) | (9.7) | 1,575 | 0.8 |
| Other expenses: | | | | | | | | |
| Interest expenses | 640 | | 804 | | (163) | | 1,079 | |
| Others | 720 | | 758 | | (37) | | 1,353 | |
| Total other expenses | 1,361 | 0.8 | 1,563 | 0.9 | (201) | (12.9) | 2,433 | 1.1 |
| Ordinary income | 5,781 | 3.4 | 5,179 | 3.2 | 601 | 11.6 | 6,585 | 3.1 |
| Extraordinary income | 386 | 0.2 | 479 | 0.2 | (92) | (19.4) | 3,195 | 1.4 |
| Extraordinary losses | 200 | 0.1 | 878 | 0.5 | (678) | (77.2) | 1,366 | 0.6 |
| Income before income taxes | 5,967 | 3.5 | 4,781 | 2.9 | 1,186 | 24.8 | 8,414 | 3.9 |
| Income taxes | 2,055 | | 1,312 | | 743 | | 3,145 | |
| Deferred income taxes | 429 | | 460 | | (31) | | 540 | |
| Minority interest | (5) | | 149 | | (154) | | 122 | 0.1 |
| Net income | 3,487 | 2.1 | 2,858 | 1.8 | 629 | 22.0 | 4,606 | 2.1 |

Consolidated Statements of Cash Flows

(Million of yen)

| | Third Quarter of FY2005 From Apr. 1, 2004 To Dec. 31, 2004 | Third Quarter of FY2004 From Apr. 1, 2003 To Dec. 31, 2003 | [Reference] FY2004 |
|---|--|--|-----------------------|
| Cash flows from operating activities | | | |
| Income before income taxes | 5,967 | 4,781 | 8,414 |
| Depreciation and amortization | 3,810 | 3,820 | 5,068 |
| Amortization of consolidation adjustments accounts | (6) | 5 | 5 |
| Decrease in reserve for employee retirement benefits | (187) | (118) | (198) |
| Increase in reserve for directors' retirement benefits | 17 | 80 | 140 |
| Gain on establishment of retirement benefit trust fund | - | - | (2,243) |
| Increase (Decrease) in allowance for doubtful accounts | (0) | 24 | (210) |
| Interest and dividend income | (427) | (372) | (427) |
| Interest expenses | 640 | 804 | 1,079 |
| Gain on sale of securities | (335) | (582) | (1,068) |
| Loss on devaluation of securities | - | - | 400 |
| Equity in earnings of companies accounted for by equity method | (148) | (115) | (193) |
| Foreign exchange loss | 66 | 149 | 238 |
| Gain on sale of fixed assets | (90) | (131) | (132) |
| Loss on disposal of fixed assets | 159 | 401 | 459 |
| Bonuses paid to directors and statutory auditors | (67) | (52) | (52) |
| (Increase) Decrease in notes and accounts receivable | (3,929) | (4,855) | 344 |
| (Increase) Decrease in inventories | 883 | 247 | (660) |
| Increase (Decrease) in notes and accounts payable | 123 | 1,429 | 67 |
| Increase in consumption taxes payable | 120 | 184 | 17 |
| Increase in other receivables | (345) | (1,753) | (198) |
| Increase (Decrease) in other payables | 333 | 636 | (15) |
| Sub-total | 6,583 | 4,583 | 10,835 |
| Interest and dividends received | 427 | 372 | 427 |
| Interest paid | (712) | (827) | (1,061) |
| Payments for income taxes | (3,532) | (1,336) | (1,329) |
| Net Cash provided by operating activities | 2,766 | 2,792 | 8,871 |
| Cash flows from investing activities | | | |
| Proceeds from sale and redemption of securities | 24 | - | 330 |
| Purchase of fixed assets | (5,604) | (2,598) | (3,492) |
| Proceeds from sale of fixed assets | 96 | 143 | 143 |
| Purchase of investments in securities | (1,794) | (1,890) | (5,185) |
| Proceeds from sale and redemption of investments in Securities | 1,721 | 1,811 | 3,690 |
| Proceeds from acquisition of shares of subsidiaries in line with change in the scope of consolidation | 325 | 536 | 536 |
| Lending of loans receivable | (38) | (30) | (33) |
| Collection of loans receivable | 182 | 47 | 51 |
| Others, net | 5 | 126 | 555 |
| Net cash used in investing activities | (5,081) | (1,854) | (3,402) |
| Cash flows from financing activities | | | |
| Net decrease of short-term loans | (982) | (650) | (2,199) |
| Net increase (decrease) of commercial paper | 7,000 | 2,000 | (1,000) |
| Proceeds from long-term debt | 1,760 | 7,256 | 9,161 |
| Repayments of long-term debt | (1,149) | (2,566) | (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) | (6,000) | - |
| Proceeds from stock issuance of subsidiaries | (7) | (852) | (854) |
| Retirement of treasury stock | 3 | - | 993 |
| Cash dividends paid | (1,014) | (1,011) | (1,020) |
| Net cash used in financing activities | (5,389) | (1,824) | 188 |
| Effect of exchange rate changes on cash and cash equivalents | (15) | (30) | (58) |
| Increase (decrease) in cash and cash equivalents | (7,719) | (917) | 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 | 7,588 | 8,792 | 15,308 |

Segment Information

1) Business Segment Information

Third Quarter of FY2005 (From April 1, 2004 to December 31, 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 | 65,229 | 85,080 | 20,068 | 170,378 | - | 170,378 |
| 2) Internal sales or transfers between segments | 3,832 | 2,438 | 1,871 | 8,141 | (8,141) | - |
| Total | 69,061 | 87,518 | 21,940 | 178,520 | (8,141) | 170,378 |
| Operating expenses | 65,232 | 85,155 | 21,936 | 172,324 | (8,086) | 164,237 |
| Operating income | 3,828 | 2,363 | 3 | 6,195 | (55) | 6,140 |

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 |

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

Third Quarter of FY2004 (From April 1, 2003 to December 31, 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 | 66,349 | 76,386 | 20,973 | 163,708 | - | 163,708 |
| 2) Internal sales or transfers between segments | 3,226 | 2,408 | 1,282 | 6,916 | (6,916) | - |
| Total | 69,575 | 78,794 | 22,255 | 170,624 | (6,916) | 163,708 |
| Operating expenses | 66,450 | 76,410 | 22,122 | 164,982 | (6,908) | 158,074 |
| Operating income | 3,125 | 2,383 | 133 | 5,642 | (8) | 5,634 |

[Reference] FY2004 (From April 1, 2003 to March 31, 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 | 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 |

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.